Austria	Sch26	Indonesia	Rp3100	Philippines	Peso40
Bahrain	Din0.700	Iran	Rls210	Portugal	Esc150
Belgium	BFr65	Israel	Shk3.50	Qatar	QR8.50
Cyprus	C£0.80	Italy	L2000	S.Arabia	SR7.00
Denmrk	DKr12.00	Jordan	Fils1000	Singapore	S$4.10
Egypt	E£3.25	Kuwait	Fils.600	Spain	Pta185
Finland	FM8.50	Lebanon	L£600.00	Sweden	SKr12
France	FFr7.50	Lux	LFr65	Switz	SFr2.50
Germany	DM2.60	Malaysia	M$4.25	Thailand	Bt50
Greece	Dr150	Morocco	Dh6.00	Tunisia	Din0.800
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L1400
Hungary	Ft107	Nigeria	Naira10	UAE	Dh7.00
Iceland	IKr160	Norway	NKr12.00		
India	Rs15	Oman	OR1		

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BUSINESS

The virtue of values statements

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World News

Forum set for victory in Hungarian elections

The Alliance of Free Democrats conceded defeat in the Hungarian elections as early second-round results showed a landslide for the centre-right Democratic Forum. An alliance spokesman said on television: "It is clear the Hungarian Democratic Forum is going to get the most seats." Smear campaigns, Page 2

Hostage mission

A US Senate delegation headed by minority leader Robert Dole arrived in Damascus at the start of a Middle East tour centred on regional peace efforts and the plight of Western hostages in Lebanon.

Blow to Likud

Israel's right-wing Likud Party virtually conceded defeat to dovish Labour party leader Shimon Peres as Yitzhak Shamir presided over what may have been his final Cabinet meeting as prime minister. Israelis protest, Page 2

Peru novelist leads

The first exit poll from Peru's presidential election gave novelist Mario Vargas Llosa a clear lead, followed by political outsider Alberto Fujimori. Run-off likely, Page 6

Peking snubbed

Prominent political activist Martin Lee was elected head of Hong Kong's first political party, a move bound to irritate Peking. Page 6

Red Sea port hit

At least 24 civilians were killed and 75 wounded as Ethiopian air force jets bombarded the rebel-held Red Sea port of Masawa, rebel radio said.

Pope for Poland

Pope John Paul said he would be in Poland next year to celebrate the Roman Catholic church's World Youth Day, the first international mass meeting the church has convened in Eastern Europe.

UK riot spreads

Britain's penal system faced a new crisis. Rioting spread to the notorious Dartmoor prison, south-west England, as the siege at Strangeways jail in the north-west entered its eighth day. Page 8

Poindexter guilty

Former US national security adviser John Poindexter was found guilty at his Iran-Contra cover-up trial in Washington of all five criminal charges against him. He will be sentenced in June. Page 2

Jewish airlift

About 1,000 Soviet Jewish immigrants arrived in Israel in a Passover airlift from eastern Europe involving three airlines.

Slovenia votes

The tiny republic of Slovenia began voting in the first fully free election in Yugoslavia since 1938. Voters are expected to end 45 years of communism. High turnout, Page 2

Manila jailbreak

Masked rebel troops shot their way into a Manila jail and freed Lieutenant-Colonel Billy Bibit, an officer accused of plotting a coup last year.

Ulan Bator protest

About 3,000 staged a democracy protest in Ulan Bator despite a decree by Mongolia's communist-controlled parliament making demonstrations more difficult. Page 6

Mandela in Lusaka

African National Congress deputy president Nelson Mandela arrived at his organisation's headquarters in Lusaka for consultations. ANC funeral, Page 6

Monarchy ruled out

President Ion Iliescu said that Romania would remain a republic and ruled out any chance of restoring the monarchy. Former King Michael is due to visit the country this week after 42 years of exile. Caution on economy, Page 2

Indian army alert

The Indian army was deployed in the western city of Ahmedabad, where at least 44 people have been killed in five days of Hindu-Moslem rioting.

FT man held

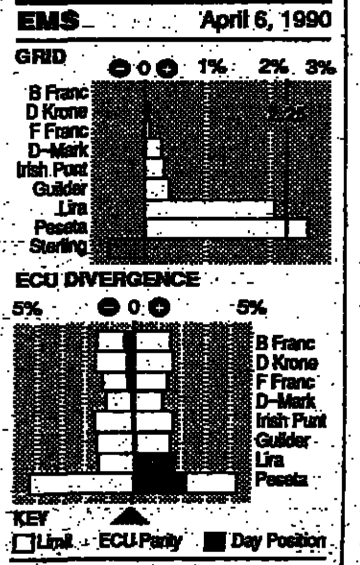
Mark Huband, a Financial Times correspondent who went missing after the train on which he was travelling was ambushed in north-east Liberia, is understood to be unharmed and in the hands of anti-government rebels. Page 6

Business Summary

Talks reopen in battle for French conglomerate

PARIBAS, the French investment bank and Compagnie de Navigation Mixte, the industrial conglomerate, have reopened talks that had been deadlocked since last Autumn's fierce FFr26bn ($4.55bn) takeover battle. More discussions are expected soon following last week's meeting between Marc Fournier, chairman Mixte, and Michel François-Poncet and André Lévy-Lang, the men who have headed Paribas since the end of March. Page 18; Société Générale system for UK brokers, Page 7

EUROPEAN Monetary System: The peseta was at the top of the EMS last week. It moved above the 2.25 per cent divergence limit governing the other members after the Bank of Spain said it did not intend to narrow the peseta's 6 per cent band within the system. Worries about German monetary union kept the D-Mark relatively weak, allowing the Bank of France and Belgian National Bank to cut interest rates without putting pressure on their respective currencies.



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu).

US GOVERNMENT has strengthened its commitment to relaxing anti-trust laws to assist some joint ventures as one of the specific initiatives in its structural impediment talks with Japan. Page 18

TAIWAN is expected to approve rules which will allow the creation of private commercial banks. Page 18

DAN Air, UK airline, said British civil aviation is passing through the most difficult and uncertain climate it has ever had to face. Page 18

GALLIMARD, French publishing house embroiled in a feud between brothers Antoine and Christian Gallimard, seems to have reached calmer waters; Isabelle, Antoine's sister, is to sell her 12.5 per cent stake to Banque National de Paris. Page 22

MOODY's, US credit rating agency, may downgrade debt issued by Orix, Japan's biggest leasing company. Page 22

BRITISH GAS looks set to lose a substantial contract because a group of Midlands local authorities is negotiating to buy gas from in independent supplier. Page 7

CHINA is to issue new rules restricting private enterprise, which will be from such sectors as finance, foreign trade, real estate and railways, an official newspaper reported.

AQUASCUTUM, UK classic clothing company, responded coolly to news that wealthy Gordon Getty of the US oil family is among its dissident shareholders. Page 20

SOVIET Union last year recorded a foreign trade deficit of $5.4bn, its first deficit in 14 years, according to latest figures. Page 4

EUROPEAN Community could be exporting more to Eastern Europe in 15 years time than to North America, according to a report by BIPE in France, IFO in Germany, Prometeia in Italy and Cambridge Econometrics in the UK. Page 3

SHEARSON Lehman Hutton and its commodities offshoot have dropped legal proceedings against seven former members of the London Metal Exchange committee arising from the 1985 collapse of the International Tin Council's price support scheme. Page 7

Nepal lifts political ban following anti-royalist riots

By K.K. Sharma in New Delhi and Our Foreign Staff

THE KING of Nepal last night bowed to a wave of protest by agreeing to lift a 30-year ban on political parties in the Himalayan country.

Pro-democracy leaders whose campaign climaxed with a violent assault on the royal palace on Friday immediately responded by calling for an end todemonstrations.

King Birendra's announcement came as much of the country was under curfew, with soldiers armed with rifles and machine guns posted on guard throughout the capital, Kathmandu.

Tourists were evacuated from Kathmandu after Friday's violence, in which scores of demonstrators were killed.

A royal communiqué said that the king had met four opposition leaders – two leftists and two from the banned Nepali Congress party, which spearheaded the movement for restoration of democracy in recent weeks.

The communiqué made no mention of a new election to Nepal's non-party legislature, but pro-democracy campaigners appeared satisfied that their reform demands were accepted.

With the opposition leaders calling off their campaign, one of them said: "There is no need for the agitation."

For the past 30 years Nepal has been ruled by a monarch in consultation with the non-party legislature. But King Birendra, whose father stifled a previous experiment with democracy, said he would remove the word "partyless" from Nepal's constitution.

The campaign for political reform has been gathering strong momentum in Nepal since February.

At first backed mainly by students, the movement broaded to include strikes by doctors, airline pilots and some government employees.

The march on the royal palace, which led to clashes between soldiers and thousands of protesters, showed how the king's own position was becoming vulnerable.

A commission headed by the chief justice of the supreme court, Mr Prachanda Raj Anil, has been set up to hold an inquiry into Friday's violence.

Continued on Page 18
Forces of reform, Page 6

Pro-democracy demonstrators head for the Nepalese royal palace before being turned back by army gunfire at the weekend

Group of Seven voices concern at weakness of Japanese currency

By Peter Norman, Economics Correspondent

THE Group of Seven leading industrialised countries issued a statement of concern about the weakness of the yen at the weekend but fell far short of a commitment to stabilise the Japanese currency.

The foreign exchange markets are likely today to test the determination of central banks from the G7 – The US, the UK, West Germany, Japan, Canada, Italy and France – to defend the yen.

After an eight hour meeting on Saturday, it became apparent that Japanese efforts to secure large scale joint support for the yen from the other G7 countries failed largely because of West German opposition.

A joint statement said the G7 finance ministers and central bank governors had discussed "especially the decline of the yen against other currencies, and its undesirable consequences for the global adjustment process." But the statement stopped short of specific support for the yen although it left open the possibility of intervention on exchange markets.

It said the US, Japan, West Germany, France, Britain, Italy and Canada agreed to keep developments in financial markets, including the yen's fall, "under review." In a vague echo of past G7 communiqués that focused on the need for currency stability, it added: "They reaffirmed their commitment to economic policy co-ordination, including co-operation in exchange markets"

The dollar softened steadily against the Japanese yen throughout last week as traders took profits in advance of the G7 meeting. On Friday, traders said the foreign exchange market would test G7 central banks today by buying the dollar aggressively if no substantial commitment to defending the yen was produced in Paris.

Mr Jim O'Neill, chief economist for the Swiss Bank Corporation in London, said on Friday that the dollar may initially fall to Y156 but then the market will try to buy dollars. "That's where the fun will start," he said.

After the meeting, none of the ministers was prepared to explain what precisely the passages concerning the yen meant. However, Mr Guido Carli, the Italian treasury minister, let slip that he thought Japan's problems were essentially "domestic."

Many of Japans's trading partners believe the yen's weakness reflects Japan's reluctance to raise interest rates and policy disputes between the Bank of Japan and the Ministry of Finance. Mr Carli reflected these views when he said that: "intervention on exchange markets is not a substitute for action on economic fundamentals."

It is understood Japan sought joint action to support the yen that would have included yen purchases for Deutschemarks by the Bundesbank.

Mr Pierre Beregovoy, the French finance minister who hosted the meeting, produced a draft communique that would have paved the way for such action. However, this was rejected by Mr Karl Otto Pöhl, the West German Bundesbank president, who steered the meeting towards adopting the final compromise text.

While falling against most big currencies, the yen has devalued by a steep 30 per cent against the D-mark. German government officials said they believe that a strong D-mark is essential to achieve monetary union with East Germany without raising interest rates or taxes. They fear that selling D-marks to support the yen would weaken the mark.

Mr Ryutaro Hashimoto, the Japanese Finance Minister, declared that he was happy that the yen had been singled out. "There is no single G7 member who said the current level of the yen should be kept as it is," he said. The seven had agreed that the yen's exchange rate "did not reflect economic fundamentals."

Waigel confident, Page 3; European bank talks, Page 18; Economics Notebook, Page 19

Greek poll unlikely to produce clear winner

By Kerin Hope in Athens

EARLY returns in yesterday's Greek general election gave the conservative New Democracy party a strong lead but indicated that it was unlikely to secure a clear majority in Parliament.

With 10 percent of the vote counted, the conservatives, under Mr Constantine Mitsotakis, had 48.8 per cent of the vote. The Panhellenic Socialist Movement (Pasok) of Mr Andreas Papandreou, the former Prime Minister, followed with 37.8 per cent, while the Communist-led Left Alliance party trailed with 8.6 per cent.

Analysts said that unless the trend altered sharply the conservatives would narrowly fail to win power for the third time in less than a year.

It was not clear whether the Socialists and Communists would hold an overall majority between them, although support for the Left Alliance was declining by a smaller margin than expected.

The conservatives finished ahead in both the June and November elections but fell short of capturing an outright majority in the 300-member House.

In November, they won 148 seats, to 128 for Pasok and 21 for the Left Alliance. The two remaining seats went to a Green and an independent representing the Moslem minority in northern Greece.

The conservatives appeared to have lost at least four out of the five crucial single-seat con-

Continued on Page 18

Genentech wins US court victory over Wellcome

By Louise Kehoe in San Francisco

GENENTECH, the US biotechnology leader, has won a significant US court victory in its long-running patents battle with Wellcome, the UK pharmaceutical concern, over blood-clot dissolving drugs for heart attack victims.

The US company, in which Hoffmann-La Roche of Switzerland plans to acquire a majority interest, said a jury in the US District Court of Delaware had found that Wellcome and Genetics Institute, another US biotechnology concern, infringed three Genentech patents for its bio-engineered version of tissue plasminogen activator (TPA). The court did not award monetary damages to Genentech, however.

Genentech none the less declared a "total and complete victory" against its potential rivals in the market for heart attack drugs.

TPA is the first major commercially successful biotechnology product. Last year Genentech sold nearly $200m of the drug, under the trade name Activase, accounting for two thirds of its revenues.

Genetics Institute, based in Cambridge, Massachusetts, developed a rival version of TPA and licensed it to Wellcome, whose Burroughs-Wellcome unit hopes to market it in the US. Burroughs-Wellcome is currently testing its version of the drug in US clinical trials and recently filed for US Food and Drug Administration approval to market it. Genetics Institute is also developing a "second generation" version of TPA for the US market.

Genentech said that it will now ask the court for an injunction to block Wellcome from marketing TPA in the US and to prevent Genetics Institute from selling its second generation product.

Genentech said the US court also denied Wellcome's anti-trust claims against Genentech as well as Genetics Institute's claim of unfair competition.

Mr G. Kirk Raab, president and chief executive officer of Genentech, said: "This verdict is a major victory for Genentech, but an even greater one for the biotechnology industry because it signals that such patents will provide meaningful protection for biotechnology innovations and the important research discoveries."

Wellcome could not be reached for comment yesterday, but can appeal against the US court decision.

The US ruling affects Genentech's US patent rights only. In parallel, protracted litigation in the UK, Genentech's broad patent covering TPA was invalidated. Genentech has decided not to appeal against that ruling.

The US court decision comes at a time when Genentech's TPA is facing intensifying competition from rival drugs including Eminase, produced by the Anglo-American group, SmithKline Beecham.

TPA sells for $2,200 per dose.

Moscow legislators prepare draft law to end conscription

By John Lloyd in Moscow

SOVIET LEGISLATORS have prepared a draft law which would end conscription to the Soviet Army, a reform bitterly opposed by the Ministry of Defence and senior officers.

The draft law has been drawn up by the armed forces sub-committee of the Congress of People's Deputies' committee on defence and state security. It has emerged in the teeth of opposition from senior officers to the concept of a professional or, as they call it, "mercenary" army.

The Defence Ministry has reportedly "made threats" against the few officers who took part in the discussions on the draft law and who are also elected members of the Congress. Significantly, top military academies have refused to discuss the law.

According to a brief report yesterday in the daily Komsomolskaya Pravda, the sub-committee proposed: that the armed forces turn professional; that the Ministry of Defence be controlled by a "higher state organisation"; and that it be "fully subordinated to the leaders of the military institutions of the Supreme Soviet, under direct parliamentary control.

The report said that Mr V Lopatin, the sub-committee chairman "spoke in favour of establishing national military units in the republics" – a move which is particularly opposed by the military and political leaderships, since it is precisely that which the Baltic states are now demanding.

In addition, the draft law says the Minister of Defence, presently General Dimitri Yazov, should be a civilian; that an alternative to military service be introduced; and that the numbers of senior officers of the political directorate who enforce ideological control be cut back in favour of more non-commissioned officers and civilian workers.

Military personnel should, the draft proposes, be allowed to join trade unions and participate in political parties.

The draft also says, the armed forces, exposed recently as often brutalising for young recruits, should enjoy the services of psychiatrists, social workers and lawyers. Military tribunals should be abolished in favour of courts. Colonel A Tsalko, an army officer and Peoples' Deputy who is opposed to the committee's proposals, was quoted as saying "in order to have a race you must have two horses. Let the Defence Ministry draw up its own draft to present to the deputies, and see which they vote for."

The draft coincides with falling Soviet military strength which is now below 5m due to cuts announced last year. But it still accounts for over 1.5 per cent of the population, more than any other country except for Greece. By contrast, France has 1.0 per cent of its population in uniform and the USA 0.89, West Germany 0.79 and the UK 0.58 per cent.

Georgians peer into Lithuanian mists; First foreign trade deficit in 14 years, Page 4

CONTENTS

Iliescu cautious on opening up economy

By Owen Bennet-Jones in Bucharest

ROMANIA'S National Salvation Front, which was catapulted into power following the overthrow of the Ceausescu regime, yesterday launched its election campaign in earnest by choosing Mr Ion Iliescu as the party's candidate for the presidency.

In his address to a lacklustre party meeting, Mr Iliescu said that the Front needed to become a modern party with a technocratic image. However, the meeting failed to produce any hard economic policies except in agriculture.

In a statement aimed at wooing over the peasant constituency, Mr Iliescu said that laws would be drafted to allow peasants to obtain land, on which they will be free to grow their own crops.

However, they would not be able to sell the land, a policy which is apparently aimed at preventing any individual landowners becoming predominant in Romania's rural communities.

Iliescu: candidate

Contrary to the electoral programmes of the main opposition parties, Mr Iliescu ruled out the abolition of collective farms, which he said would remain the mainstay of agricultural production.

In a speech which reflected general caution over opening up the economy, he said the Front was committed to the introduction of markets but in a way that would protect the weakest categories in society.

IRAN-CONTRA SCANDAL CLAIMS ITS MOST SENIOR WHITE HOUSE VICTIM

Poindexter finds out where the buck stops

By Lionel Barber in Washington

THE CONVICTION of Mr John Poindexter on all five felony charges in the Iran-Contra trial vindicates a central argument in the three-year-long criminal investigation into the scandal: that a conspiracy to cover-up existed at the highest levels of the Reagan administration.

Mr Poindexter, 53, a colourless rear-admiral who graduated first in his class at the Naval Academy, rose to serve briefly as President Reagan's National Security Adviser in 1985-86.

He is the most senior White House official to be convicted of criminal charges since the Watergate scandal.

Then as now, the defendants were undone by the cover-up of foolish or dubious acts – rather than the acts themselves. Mr Poindexter, who intends to appeal, was convicted of conspiracy, lying to Congress and obstructing congressional inquiries. He faces a maximum sentence of 25 years in prison and fines of $1.25m.

Mr Poindexter's defence was two-fold: he never intentionally misled Congress and he acted throughout under the authority of President Reagan. It failed because Mr Reagan, in eight hours of video-taped testimony, gave a performance of bumbling forgetfulness which did little for his own reputation and still less for his former top adviser.

Mr Poindexter did not take the stand in his own defence. By contrast, Mr Oliver North, his co-White House conspirator, convinced a jury earlier this year that he was a fall-guy for the President in the Iran-Contra scandal – the sale of arms to Iran in exchange for American hostages and diversion of profits to US-backed rebels in Nicaragua.

In the Poindexter trial, Mr North, though a reluctant witness, ended up supplying the most damaging evidence against his former boss. He testified that Mr Poindexter tore up a key document that depicted missile shipments to Iran as an arms-for-hostages deal. This act amounted to "specific intent" to deceive Congress, the prosecution said.

It was once said of Mr Poindexter that he would not cross the road without first receiving an order to do so.

But he told a congressional investigation in 1987 that he felt very strongly it was the duty of staff to protect the President, the commander-in-chief.

The conviction of Mr Poindexter is perhaps an argument against putting military men in sensitive, politically exposed positions, particularly those that require a relationship of trust with Congress. Yet in one sense Mr Poindexter was correct.

The Iran-Contra scandal put Mr Reagan's presidency at risk. Mr Reagan had sold missiles to Iran, he had traded arms for hostages. Mr Poindexter was not the only senior official to make evasive statements in the frantic November days after the scandal broke.

Others such as Mr Ed Meese, Attorney General, and Mr William Casey, CIA director, also stretched the truth. The difference, as Mr Poindexter has now discovered, is that the buck stopped on his desk rather than the President's.

US policymakers cool on relations with Moscow

By Peter Riddell, US Editor, in Washington

A DISTINCT check to the steady improvement in US-Soviet relations over the past year has occurred following last week's talks between Mr Eduard Shevardnadze, the Soviet Foreign Minister, and senior members of the Bush administration.

The Lithuanian crisis and what the US sees as Soviet backtracking on key elements of a strategic arms reduction agreement have forced policymakers to pause and reappraise relations, while stirring doubts in Washington about the intentions and position of President Mikhail Gorbachev.

Senior US officials have begun to talk of the dangers of a re-emergence of drift and division and they emphasise the need for progress in the talks between Mr Shevardnadze and Mr James Baker, the US Secretary of State, in Moscow on March 16-19 before the full Bush/Gorbachev summit in the US starting on May 30.

The most immediate problem is Lithuania. After President Bush renewed his public warning against the use of force, a senior administration official was quoted over the weekend as saying "we can't sustain the kind of forward-looking, problem-solving attitude toward the Soviet Union or our support for perestroika or for Gorbachev if they crack down in Lithuania."

There is already growing criticism in Washington of the administration's failure to react more strongly to the pressure applied by Moscow on Lithuania in the past two weeks.

Concern in Washington has been reinforced by the threat to an early agreement, even in principle, on a strategic arms treaty. The US says there has been a reversal in the Soviet position on sea-launched cruise missiles since early February when the two foreign ministers met in Moscow.

Then, the Soviets seemed accept the US suggestion for in effect sidestepping the problem of imposing strict numerical limits and requiring complicated verification. But last week the whole issue was reopened. US officials say the Soviet side appeared distracted and uncertain and in part blame domestic pressure from conservatives and the Soviet military.

One US participant in the talks with Mr Shevardnadze said: "We were struck by the contrast between his ability to say what he wants to have happen and his inability to explain how they were going to proceed to make it happen. I think it left everyone with a much better understanding of how difficult it is going to be for Gorbachev to ride out these changes."

Clear lead for Hungarian right

By Nicholas Denton in Budapest

THE conservative Hungarian Democratic Forum was set last night to lead Hungary's next government after partial results showed it heading for a surprisingly clear victory over its main rival, the liberal Alliance of Free Democrats, in yesterday's second round of the country's elections.

With more than 70 per cent of the votes counted, the Forum was leading or had already won in 108 of the 171 constituencies contested yesterday, far ahead of the Free Democrats who were likely to win in only 41.

The conservative allies of the Forum were running in third and fourth place: the Independent Smallholders' Party with a probable eight seats, and the Christian Democrat People's Party with a probable three.

Taken together with the first round of voting, in which seats were distributed by rough proportional representation and the Forum had a narrow six seat lead over the Free Democrats, the results point plainly to a comfortable parliamentary majority for the Forum and its allies.

Mr Jozsef Antall, president of the Forum, although not formally claiming victory, said: "The Forum has a major lead. The Forum will be the first and most significant political party of the country."

He appeared to close the door on a possible grand coalition with the Free Democrats, for which many Hungarians and much of the international community has called.

"What we shall be aiming for is to include in the coalition the Christian Democrats and the Smallholders."

Free Democrat leaders yesterday blamed a smear campaign for their poor showing. Mr Gaspar Miklos Tamas said that the last fortnight between the two rounds had been marred by the "filthiest election slander in any campaign this century."

High turnout in Slovenia poll

By Laura Silber in Ljubljana

YUGOSLAVIA'S northern republic of Slovenia yesterday voted for a parliament and a president in the first free elections for over 40 years.

Despite persistent rain, election officials expected an 80 per cent turnout in the first round. The 1.5m electorate seems set on ousting the ruling Party of Democratic Renewal, (LCS-PDR), the former communist party, and forging ahead with demands for an independent Slovenia.

The LCS-PDR is advocating political and economic autonomy for Yugoslavia's richest and most liberal-minded republic. The party's presidential candidate, Mr Milan Kucan, who is likely to win against his three opponents, said: "We would accept secession as the final option, but only when it becomes obvious that neither a Yugoslav federation nor confederation is possible."

Yet, Demos, the opposition coalition of seven parties, which was leading overall in the final opinion polls, says it wants to leave the Yugoslav federation and create an independent state. First round results are expected today.

Demos's presidential candidate, Mr Joze Pucnik, said that Slovenia will seek independence in a year's time.

Support for independence appears to be growing and some observers believe that Demos could be heading for a big victory. However, during a brief visit to Ljubljana yesterday, the Yugoslav President, Mr Janez Drnovsek, who comes from Slovenia, said he believed talk of an independent Slovenia was exaggerated.

Solidarity plans ventures into world of finance

Chris Bobinski reports on union plans to attract investment into an ailing economy

SPURRED by conviction as well as need, Poland's Solidarity trade union is organising a number of financial institutions which could play a leading role in the country.

Tucked away in a few rooms on the fourth floor of the union's cavernous national headquarters in Gdansk, a group of people, mainly in their thirties, are working on setting up a bank as well as an insurance company.

The idea is that both institutions would enter into a joint venture with a western partner to acquire additional finance, experience and access to western markets.

The Solidarity bank is the main project of the union's Economic Fund, whose job is to supplement the movement's faltering income from membership dues. Membership is now about 2m compared with 10m in 1981, and not all of the present members are keeping up payment.

"Solidarity is more than a mere trade union," says Mr Andrzej Spiker, a fund official. "It should help resolve the country's problems, not just through paying out benefits but by investing and transforming the economy.

"We realise that reforming the present economic structures is a lengthy process so we want to establish alternatives and provide competition."

The fund is headed by Mr Jerzy Kobylinski, a 29-year-old with a background in the small private businesses which have flowered in Gdansk in the past few years.

As its first venture, the fund, in conjunction with the National Bank (NBP) and a US company, plans to sell commemorative coins depicting a Solidarity motif.

Solidarity-inspired talks are underway involving two French companies, Spie Batignolles and Accor, and the local Gdansk authorities, to take up a $70m French government credit and expand Gdansk airport to an annual capacity of between 600,000 and 1m passengers and to build a 300-bed hotel in the city.

The fund is hoping that profits from the trade union's fledgling business activities could provide part of the initial capital for the bank. It also hopes to mobilise the population's hard currency savings.

The planned joint venture with a western bank should, in the fund's view, leave 50 per cent of the shares in Solidarity's hands. The same would be true of the insurance company, which the Economic Fund says, has attracted more interest in the west than the bank.

Apart from the fund, Solidarity also has an Economic Foundation, and the two are overseen by Mr Jacek Merkel, who at 36 is a veteran leader of the movement. His experience dates back to the workers' strikes of 1980 but his free market beliefs place him at one remove from Solidarity's blue-collar origins.

Mr Merkel fields most of the business offers from abroad which flow into the office of Mr Lech Walesa, the leader of Solidarity, attracted by the latter's appeals for "owners for 80 per cent of Polish industry" and by the movement's powerful role in the country.

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OVERSEAS NEWS

Ministers tackle issues on bank of reconstruction

By **Ian Davidson** in Paris

NEGOTIATIONS on the establishment of the new multinational bank for helping the economic recovery of Eastern Europe, the European Bank for Reconstruction and Development (EBRD) resume at ministerial level here today, but without any advance guarantee of final agreement.

Three important groups of issues were left unresolved at the last round of negotiations a month ago: the choice of the Bank's first President, and the location of its headquarters; the extent of restrictions on Soviet eligibility to borrow from the Bank; and the currency unit in which the Bank's operations should be labelled.

Two national candidates are challenging for the Presidency of the Bank: Mr Jacques Attali, special adviser to French President François Mitterrand, and Mr Onno Ruding, the former Dutch Finance Minister. A large number of governments have made claims for the headquarters of the Bank, in a list of cities which includes Prague, Vienna, Berlin, Copenhagen and London. France has not put forward a claim.

Some of the prospective shareholder governments, including the US, have argued that the essential political criterion for lending by the Bank should be progress towards genuine democracy, and that this would militate against the Soviet Union's right to borrow. Some delegations argued that in any case Soviet access to EBRD lending should be proportionately no greater than its contribution to the share capital.

Last month's negotiations also stalled over the question whether private sector projects, which would be intended to be the primary beneficiaries of the new Bank, would be guaranteed a minimum proportion of loans, such as 60 per cent.

European Community governments, which will jointly hold a majority of the share capital, argue that the Bank's operations should be conducted in European Currency Units (ECU) as used in the European Monetary System.

The proposal is being resisted by the US, which is pressing the claim of the dollar as the most widely used international currency.

E Europe market 'could exceed North America'

By **Andrew Marshall**, Economics Staff

THE European Community could be exporting more to Eastern Europe in 15 years than to North America, according to a report released today.

"Europe in 1994" gives the economic outlook for the EC economies by sector and country. It was carried out by BIPE in France, IFO in Germany, Prometeia in Italy and Cambridge Econometrics in the UK.

The survey points to a levelling off in Europe's growth rate in 1990, as inflationary concern grows, interest rates rise and investment slows. But there seems little risk of recession in Europe, the report says, because of "the positive effects of the Single European market, the progress made in improving companies' profitability, the tightening up of government spending and the fight against inflation."

In the longer term it forecasts renewed growth at a higher rate than in the 1980s. The European Community grew at an average annual rate of 2.4 per cent in the period 1982-88, the report says, which will increase to 2.7 per cent in 1988-94. This will be led by strong growth in exports outside the EC, which are projected to grow at an average annual rate of 5.0 per cent in 1988-94, up from 4.3 per cent.

Europe in 1994: Economic outlook by Sector. Available from BIPE, Cambridge Econometrics, IFO-Institut, and Prometeia. Price ECU 1000 (£750 in the UK).

●G-7 MEETING IN PARIS

Waigel is confident on unity

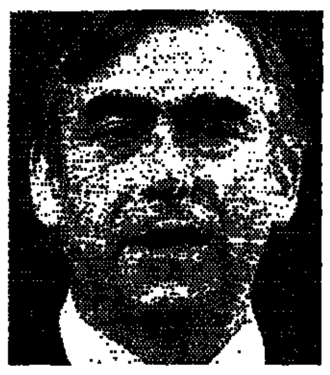
By **David Goodhart** in Bonn and **Peter Norman**, Economics Correspondent

MR Theo Waigel, West German Finance Minister, yesterday ruled out a tax rise to pay for unification not only in the current legislative term – which ends in December – but also in the next four-year term.

In his most emphatic statement so far on tax implications of unity, he said on West German TV that there might have to be some adjustment of taxes but that the overall burden would remain the same.

Mr Waigel's remarks followed a confident assurance to his fellow finance ministers at the G7 meeting in Paris that German unity would be a contribution to world growth and to reducing current account imbalances. He said the costs of unity could be carried through higher than expected economic growth and thus tax revenues.

Chancellor Helmut Kohl in an interview published at the weekend also ruled out tax rises and said that money could be diverted to East Germany from the defence and road construction budgets.



Waigel: New market for all.

East German demand for investment goods, rather than rising domestic consumption, is stimulating higher economic growth in West Germany this year, according to the first 1990 report of the five economic institutes published today.

In line with the finance ministry, the institutes now predict 4 per cent growth in gross national product this year thanks to rising exports to East Germany. They are also raising their growth estimate for 1991 to 3.5 per cent from 2.5 per cent. Inflation for both years is expected to stay between 3 and 3.5 per cent.

In the debate over the most suitable conversion rate between the East German Mark and the Deutsche Mark the institutes say that a one-to-one conversion for wages is too high but may be acceptable for pensions and savings.

The conversion rate question was not allowed to get in the way of Mr Waigel's upbeat assessment of Germany's future during meetings in Paris yesterday. According to Mr John Major, the British Chancellor, Mr Waigel made no mention of 1:1 or 2:1 when he gave a report on German union over lunch.

Mr Waigel told the press later that a unified Germany would provide a bigger market for all European countries and that it would be open to all European investors. A united Germany would contribute to stability in the European Monetary System, he added.

Text of official communiqué

The following is the full official English text of the communiqué issued after a one-day meeting of finance ministers of the Group of Seven leading industrialised nations in Paris.

"THE Finance Ministers and Central Bank Governors of Canada, France, West Germany, Italy, Japan, Britain, and the United States met on April 7, 1990, in Paris for an exchange of views on current global economic issues.

"The Managing Director of the IMF participated in the multi-lateral surveyance discussions.

"The Ministers and Governors reviewed their economic policies and prospects. They noted that since their last meeting, economic growth had been slowing in several countries to more sustainable levels.

"However, overall growth prospects remain good, with strong investment providing a major stimulus to their economies, inflations remained contained and external imbalances have been reduced although unevenly.

"The Ministers and Governors expressed the need for continued close co-ordination of their macro-economic and structural policies to obtain sustained growth, low inflation and greater stability of exchange rates.

"In this respect, they agree that current inflation rates require continued vigilance. They agreed that countries with fiscal and current account deficits should reduce budget deficits and increase private savings.

"They also agreed that countries with external surpluses should, at the same time, continue to contribute to external adjustment by promoting non-inflationary growth of domestic demand through appropriate macro-economic and structural policies. They also agreed that savings should be promoted in all countries through the use of appropriate structural policies.

"The Ministers and Governors discussed developments in global financial markets, especially the decline of the yen against other currencies, and its undesirable consequences for the global adjustment process, and agreed to keep these developments under review. They reaffirmed their commitment to economic policy coordination, including co-operation in exchange markets.

"The Ministers and Governors welcomed the reforms in Eastern Europe towards market oriented economies which, they believed, are the most profound in decades.

"They expressed their willingness to contribute to the success of the ongoing process though appropriate bilateral and multilateral assistance, through helping countries undergoing reforms to remove obstacles to private capital flows and exchange of information and expertise.

"They reviewed and assessed the possible effects of these reforms.

"They noted that German economic and monetary union could contribute to improved global growth and to a reduction of external imbalances in Europe.

Foreign investment 'changing structure of world economy'

The "globalisation" of business has been one of the great themes of the past decade, as more and more companies have rushed to expand across borders by making foreign acquisitions and mergers and investing in greenfield sites, writes **Guy de Jonquières.**

G5 FOREIGN DIRECT INVESTMENT

	OUTWARD			INWARD
Country	Stock (1988) $bn	Real Growth In Flows (83-88) % p.a.	Total Flows (80-88) $bn	Total Flows (80-88) $bn
US	324	20	157	252
UK	184	16	133	65
Japan	114	37	96	3
West Germany	78	15	52	9
France	57	32	43	28

Source: DeAnne Julius

According to a study by Dr DeAnne Julius, chief economist of Shell, this surge of foreign direct investment (FDI) has implications far beyond corporate boardrooms. She argues that it is contributing to fundamental changes in the structure of the world economy and challenging underlying assumptions of government policy.

"Increases in FDI flows have reached the threshold where they create a qualitatively different set of linkages between advanced economies," the study says. "As a means of international economic integration, FDI is in its take-off phase, perhaps in a position comparable to world trade at the end of the 1940s."

Between 1983 and 1988, FDI worldwide rose by more than 20 per cent annually, four times faster than world trade. At the end of that period, the worldwide stock of direct investments by the US, Japan, West Germany, Britain and France (the "G5" countries) was $757bn.

On recent trends, the study suggests, annual FDI outflow may rise to $229bn by 1995, double the 1988 level, and the G5's stock to $1,706bn. The European Community would overtake Japan to become the world's largest foreign direct investor, with outflows in 1995 of $65bn, or $90bn if intra-EC investments are included.

Growth of inflows into the US would tail off during the period, but those into Japan would rapidly accelerate, increasing by 40 per cent.

Even today, the scale of FDI is almost certainly understated, since it is derived from national balance of payments statistics, which do not accurately reflect foreign which are financed locally.

Furthermore, the study says, the true economic importance of FDI is reflected not in the value of assets of foreign-owned firms (FOFs), but in their sales. In the US, local sales by FOFs were one-and-a-half times bigger than the country's imports in 1985. FOFs in the US also account for more than half the country's exports and a third of its imports, while a further one fifth of imports are accounted for by shipments made by foreign subsidiaries of American-owned companies.

FDI growth is increasingly concentrated in the industrialised world, and flows to developing countries fell in real terms in the 1980s. Three quarters of the world's FDI stock is owned by the G-5 countries, though they account for only 42 per cent of world trade.

Dr Julius says differentials in countries' growth rates do not explain the pattern of FDI flows. Though the business optimism generated by 1992 is acting as a stimulus in Europe, it is only one element in a wider global trend, she says.

She also believes trade protection has played only a small role in encouraging FDI. On the contrary, she concludes that the most important factor has been international liberalisation, particularly of services - the sector where FDI has grown fastest in recent years.

"A crack has begun to open in the regulatory structures that have protected many service industries behind national borders. This crack is certain to open further, the study says.

Dr Julius argues that these trends are robbing merchandise trade and balance of payments statistics of much of their meaning. A complete picture of international economic integration and countries' competitiveness can only be gained by taking account of sales and purchases by foreign-owned firms, since these effectively substitute for imports and exports. Re-calculating US trade figures to include transactions between American and foreign-owned companies, both in the US and abroad, the study estimates the country's total "foreign sales" at $1.145bn and its "foreign purchases" at $1,088bn in 1986.

On that basis, the US enjoyed a surplus on foreign sales of $57bn, compared with a $144bn merchandise trade deficit. Overall, the study finds the economic impact of FDI has been positive, and that foreign-owned companies do not behave much differently from domestic ones.

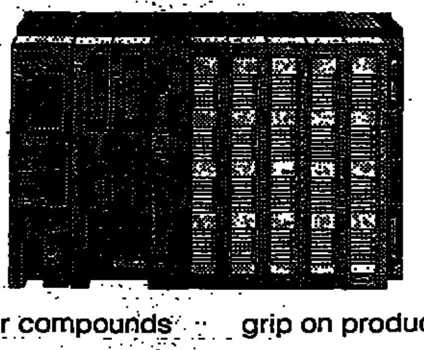
It argues that, as the economic contributions of foreign-owned firms are recognised, they will offset protectionist pressures from weaker domestic producers.

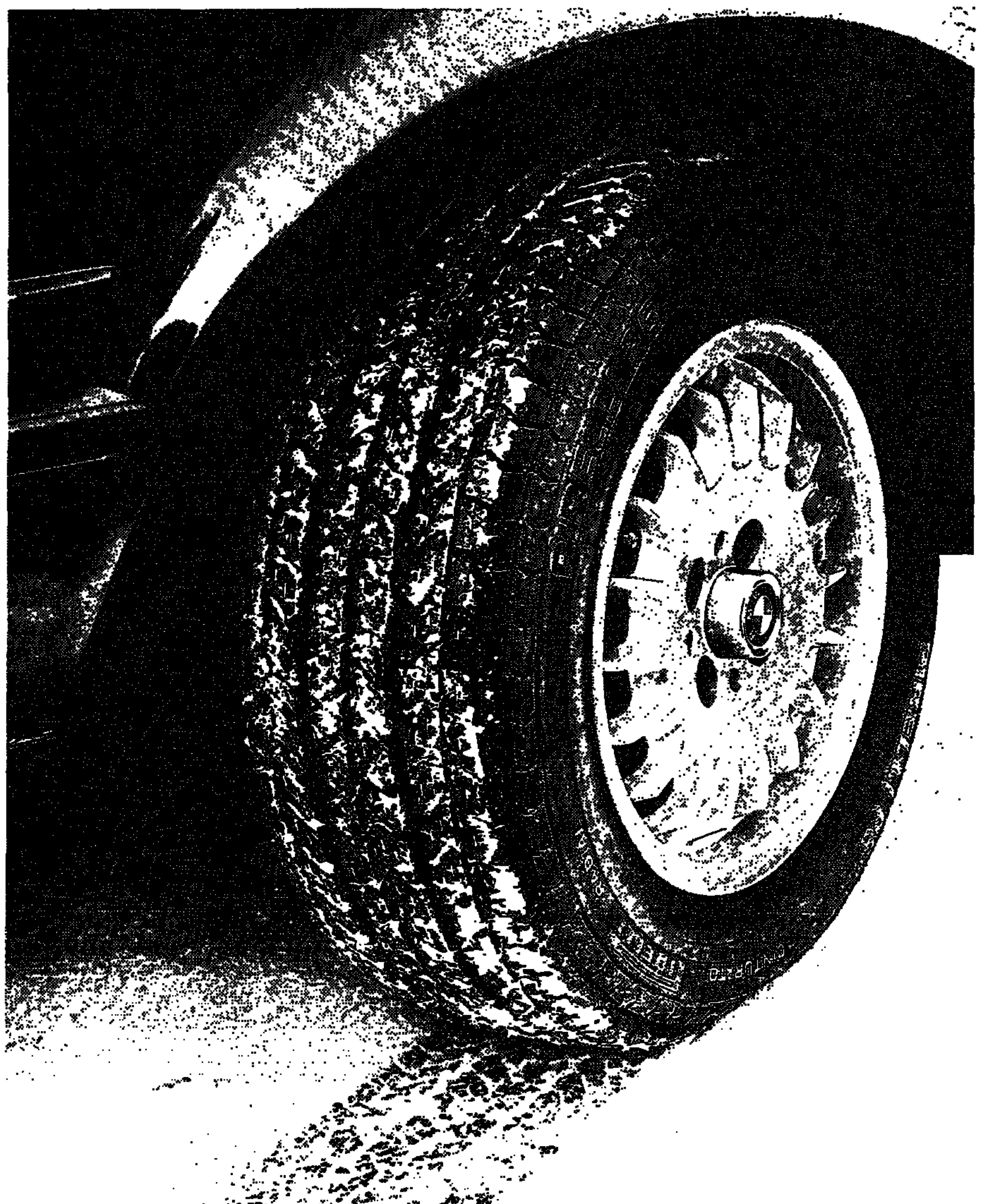
However, it emphasises that the full benefits of FDI will be realised only if governments treat foreign-owned and domestic firms equally and do not discriminate between trade and investment. It identifies four principal risks which, it says, call for closer international coordination:

- The use of national security or cultural arguments to thwart foreign acquisitions.
- Conflicts between national competition policies. "Competition policy has the potential to overtake trade policy as the most contentious area of international economic relations," the study says.
- Arbitrary local content rules and anti-dumping actions, intended to force foreign companies to substitute local production for imports.
- International disputes over reciprocal market access.

**Global companies and public policy: the growing challenge of foreign direct investment, by DeAnne Julius. Royal Institute of International Affairs/Pinter Publishers. £7.95.*

The 1992 column will resume in two weeks.





Georgians peer anxiously into Lithuanian mists

Henry Cleary contrasts the moods in Vilnius and Tbilisi as both strive to secede from Soviet Union

THE flashpoint of nationalist activity on the fringes of the Soviet Union will switch today from the mists of the Baltic Sea to the southern state of Georgia.

Up to 1m people – including sympathizers from the Baltic states, liberal Russian groups and nationalists from nearby Armenia and Azerbaijan – are expected to gather in Tbilisi, Georgia's capital, for a spectacular 24-hour demonstration.

The event, which will include the picketing of the local military headquarters, is to commemorate one of the darkest moments in recent Soviet history: the killing with spades and gas of at least 21 peaceful demonstrators.

Ever since the so-called April 9 events unleashed a torrent of rage, Georgia has joined Lithuania in the top rank of Soviet republics most likely to secede.

Both are ancient bastions of Christendom, with strong traditions of higher learning and of efficient agriculture – stockbreeding in Lithuania, market gardening and fruit-farming in Georgia.

But in many other ways, the atmosphere in Vilnius, the Lithuanian capital, and Tbilisi could not present the visitor with a sharper contrast.

On the morning two weeks ago that Soviet tanks rolled past the Vilnius Parliament, the Baltic city's stolid residents seemed utterly unmoved as they queued in the damp air outside shops that are well-stocked by Soviet standards, but bare to a Westerner.

Everything is tidy, if shabby: the narrow, cobblestoned streets, the steep gabled roofs, and the well-tended lawns surrounding the Lenin statue suggest Holland or Denmark after a long, harsh occupation by a foreign power.

Tbilisi on a spring morning is by comparison a place of balmy, sensual delight. By some freak of nature, the air that rolls down from the pine-covered hills is perpetually sweet, blowing away the fumes from the thousands of little cars that chug along the elegant boulevards in a precocious display of prosperity.

And of course the Lithuanians and Georgians are, respectively, many of the things that northerners and southerners are supposed to be: stoical, phlegmatic, practical in the former case, passionate, impulsive and full of flair in the latter.

Vilnius, whose ruined Catholic churches (only now being reopened) haunt the skyline, is unmistakeably a European city manqué; while many nationalists aspire to make Tbilisi the centre of an Orthodox Christian theocracy, closer to Byzantium than any modern state except Greece.

Do these cultural differences mean, then, that the "hot-blooded" Georgians are fated to fumble their independence drive, while the steady nerves of the Lithuanians will guarantee success?

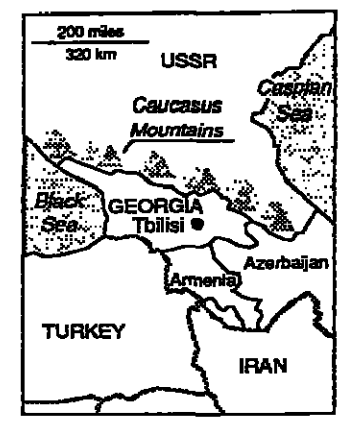
As it turns out, things are not so simple. In both republics, the most uncompromising supporters of independence have steadily captured the moral high ground, leaving the traditional political class panting to catch up.

While the Lithuanian Communist Party managed to save itself, in voters' eyes, by splitting with Moscow and backing secession, the Georgian Party has proved unable to keep in step with public opinion – its membership and moral authority has plummeted.

The current Georgian Parliament has sought to win its nationalist spurs by asserting the supremacy of local law over Soviet law; and by stating that any move by Moscow to restrict the right of secession will immediately trigger full independence for Georgia.

But this does not prevent nationalist leaders like Mr Zviad Gamsakhurdia, the sharp-tongued but highly respected dissident, from dismissing the legislature as a "gathering of marionettes."

Virtually the entire political class in both Lithuania and Georgia agree that the incorporation of their republics (in 1940 and 1921 respectively) was technically illegal. But perhaps paradoxically, it was Lithuania's Parliament that first made the almost theatrical gesture of declaring a moral and legal independence that it could not physically defend.



The young, deeply religious leaders of Georgia's National Democratic Party (NDP) are convinced that the Lithuanian move was a mistake: they say the first priority must be to get rid of the "occupation forces" (the Red Army) through a mounting campaign of civil disobedience.

They also object to the Lithuanian declaration as an attempt to work through Soviet institutions (albeit a freely elected legislature) which they regard as illegitimate by definition. A boycott campaign by hardline nationalists forced a postponement of local elections due on March 25; a multi-party poll will now be held in October. But the nationalists say they will boycott that too, if participation is restricted to those who recognize the Soviet constitution.

"The point is not whether it's a good or bad constitution, the point is that it's a foreign constitution," says NDP president Georgy Chanturia, interviewed in the city centre premises which the party recently seized, bloodlessly, from the local Communist Party.

Mr Chanturia, Mr Gamsakhurdia and another ex-prisoner, Mr Irakli Tsereteli of the National Independence Party (NIP) have buried personal differences to form an extra-parliamentary National Forum which plans to conduct its own elections to a national assembly that will presumably guide Georgia towards statehood.

In contrast with Lithuania, it is clear that there is a moderate class of Georgians which has painstakingly carved out an acceptable modus vivendi within the Soviet system: a class that enjoys the recently granted freedom of speech and travel and not suffered from the recent downturn in food supplies. This class is dismayed that the toughness of the Kremlin's new secession law appears to leave little political space for moderates.

It also harbours deep fears that a hard-won quality of life will be ruined as excessive nationalist zeal will give way to bloody intercommunal fighting, and an Azerbaijan-style crackdown by the Kremlin.

The republic's 70 per cent ethnic Georgian majority can point, with some reason, to neighbourhoods in Tbilisi where a hotchpotch of minorities – Armenians, Azeris, Greeks, Russians – have long lived in harmony.

Tbilisi, in short, is one of the few remaining cosmopolitan Near Eastern cities, of the kind that Alexandria, Istanbul, Salonika and (until the January pogroms) Baku used to be: places whose cultural life is deeply informed by subtle and carefully evolved relationships between different races.

But as the experience of all those cities shows, centuries-old relationships can vanish overnight once atavistic fear has been aroused.

Whatever the Lithuanians' historical record, they have remained unflinching in the face of attempts to stir up trouble between them and ethnic Russians: in this respect at least the Georgians may need to study the Lithuanian example closely.

Trade deficit adds to Soviet economic woes

By John Lloyd in Moscow

THE Soviet Union last year recorded a foreign trade deficit of Roubles 3.3bn ($5.4bn), its first deficit in 14 years, according to the latest official figures.

At the same time, a crash programme to put consumer goods in Soviet shops and quell rising public discontent over shortages is failing badly to meet its targets.

The trade deficit was expected, but the continuing crisis in production is a serious setback for the Soviet authorities.

Figures released by the state statistical agency Goskomstat show total production for the first quarter of this year was down by 1.2 per cent from the same period last year, while March was down 1.6 per cent over the same month in 1989.

A commentary on the figures in the Government newspaper Izvestia blames ethnic troubles, public demands to shut ecologically harmful plants and conversion of the arms industry.

Both Transcaucasian republics of Armenia and Azerbaijan, where there has been intense ethnic conflict since late last year, show dramatic output falls in the first quarter. Production in Armenia was down 12 per cent and in Azerbaijan 25 per cent – though Azerbaijani production picked up 2 per cent in March as strikes were settled and life became mokre normal.

Heavy industry showed the largest fall – by 3 per cent.

The all-important consumer goods sector did show a marked increase – up 6.4, per cent or Roubles 7bn, over the first three months of 1989. But that rate of increase was only half as much as the planned increase called for in the crash programme approved last November, which demanded a Roubles 60bn increase in 1990 over 1989.

Further steps towards a market economy are expected to be revealed today by Dr Leonid Abalkin, deputy prime minister in charge of the economy.

The biggest output rises have been in white goods and electronics, with colour television sets and tape recorders up 11 per cent, washing machines up 14 per cent and electric irons up 11 per cent.

But deliveries of cattle and poultry, and the processed foods based on them, fell by 4 per cent and fish processing and flour showed no change.

The trade figures show 1989 imports standing at Roubles 72.1bn and exports at Roubles 68.8bn. Oil exports were sharply down, by 11.7 per cent, from 144.2m tonnes in 1988 to 127.3m. tonnes in 1989. Coal exports fell from 39.4m tonnes to 37.5m tonnes, or 4.8 per cent.

The deficit is due to the drop off in world oil prices.

The structure of Soviet trade remains heavily skewed to Comecon countries – around 50 per cent – and even more heavily skewed to raw materials.

Some two thirds of its exports to advanced capitalist countries were raw materials (mainly oil, oil products and timber), with machinery and equipment accounting for only 3.2 per cent.

Nordic seamen seek ban on foreign-flagged vessels

By Karen Fossli in Oslo

SEAMEN'S unions in the Nordic countries are seeking a ban on foreign-flagged ferries operating in their waters after as many as 150 people were killed in a fire aboard the Scandinavian Star, a Bermuda-registered ferry on Saturday.

Norwegian police said yesterday they were hunting a possible arsonist after the captain and many survivors charged that the ferry blaze was started deliberately.

Just days before Saturday's fire, leaders of the three Nordic seamens' unions met in Sweden where they vowed to press their respective governments to tighten regulations governing foreign-flagged vessels operating in Nordic waters, which they claim do not meet the strict standards or face the same inspection routines required of nationally flagged vessels.

On Saturday Mrs Kaci Kullman Five, Norway's Minster of Trade and Shipping, warned that Norway's regulations governing foreign-flagged ships operating in its waters were likely to be tightened. She will propose that such foreign flagged vessels would be forced to undergo inspection from the Norwegian authorites.

Survivors of the fire aboard the Scandinavian Star, which is operated by Da-No Ferries, a subsidiary of Copenhagen-based VR Shipping, complained of its poor condition.

Kevin Brown, Transport Correspondent, adds: Inquiries into the disaster are likely to want to draw on the results of Mr Justice Sheen's investigation into the sinking of the British ferry Herald of Free Enterprise with the loss of nearly 200 lives off Zeebrugge in March 1987.

The inquiry concluded that the Herald capsized primarily because of negligence on the part of several crew members. However, there are parallels with the Scandinavian Star.

In both cases, maritime union officials had complained before the accident that safety precautions were inadequate. The Sheen inquiry concluded that staffing was not a contributory cause of the Herald accident, but criticised confusion over the responsibilities of crew members.

UK-French talks on combined forces

By David White, Defence Correspondent

THE POSSIBILITY of multinational military formations taking the place of foreign units now stationed in West Germany will be explored during Anglo-French talks starting in Paris today.

Mr Tom King, British Defence Secretary, plans to sound out his counterpart, Mr Jean-Pierre Chevènement, on the idea, which British officials said was "still at the early stages of thinking."

The UK and France between them have more than 120,000 troops in West Germany, and the French and West German armies are in the process of building up a 5,000-strong joint brigade.

British defence planners are anxious to establish what kind of joint initiative the French Government would consider compatible with the country's long-standing independent position within Nato.

UK officials said the principle of joint forces was "superficially attractive" as a way of making a continued foreign troop presence in Germany more politically acceptable. Hewever, no conclusion had been reached about the possible impact of such an initiative on military effectiveness.

In contrast with the model of the Franco-German brigade, British thinking points to a multinational corps structure, made up of national divisions. However, the UK has not ruled out the idea of a joint air-mobile division.

This was first proposed by West Germany in 1988 as a combined operational reserve force made up by the four countries of the Northern Army Group – the UK, West Germany, Belgium and the Netherlands. Nato's military committee ordered a study of the proposal at the time.

British officials made clear they did not foresee units smaller than a division being organised on joint lines.

The Nato force structure in West Germany is split into eight national corps areas - three West German, two US, one British, one Belgian and one Dutch – with each country commanding its own forces in peacetime, while France maintains a separate corps under permanent national command. Each corps comprises up to four divisions.

Multinational formations could have varied composition, including US forces in southern Germany, for instance, but made up solely of European nations elsewhere, British officials suggested.

The relative place of US forces is one of the open questions, with the French wanting increased emphasis on the European component of the alliance.

Officials said the discussion was not directly tied to the "two-plus-four" negotiations on German unification. But specific proposals would depend on how many foreign troops it was decided should stay on current West German territory.

The Anglo-French talks will also focus on nuclear weapons, with Britain expected to decide in autumn whether to join France or the US to produce an air-launched missile to replace the RAF's nuclear free-fall bombs.

The French option, based on the ASMP medium-range missile already deployed with the French Air Force, has been revived as a possibility after being virtually discounted by Britain in 1988.

PAN AM 1990
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NO. 3

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And at 21-22 inches wide, surpasses the Business Class seats of such international carriers as British Airways, Swissair and Air France, who provide 18-20 inch seats.

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In Pan Am Clipper Class, you'll never be seated in the middle, because there is no middle.

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We now operate nineteen new, technologically advanced Airbus A310s. The largest fleet across the Atlantic.

Significantly, our fleet is growing younger, rather than older.

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It starts with an Economy Class section that can actually handle more seats than we're willing to put in.

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Our standards are so high that we spend more on maintenance per aircraft operating hour than any other U.S. airline.

They are so high that thirty of the world's airlines bring aircraft to us for maintenance, as does the U.S. Air Force.

And our flight training standards are equally high.

We are currently training pilots for twelve major airlines, the Royal Canadian Air Force and Air Force One.

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We fly to more European cities than all other U.S. airlines combined.

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ONE GOAL MISSED, TWO GOALS SURPASSED.

Due to setbacks, we didn't come close to achieving our financial goal in 1989, which you probably already know.

However, through the hard work and superlative cooperation of our people, we surpassed our growth and operating goals; and are surpassing them again in 1990.

In passenger traffic, January, 1990 was up 23% over January, 1989, and February was up 26%.

Clipper Class increased by 26% and First Class was up 40%.

In January and February, we recorded the best on-time performance in the history of the company, placing us among the top three airlines in the industry.

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Again and again.

Thomas G. Plaskett
Chairman and Chief Executive Officer
Pan American World Airways, Inc.

PAN AM®

OVERSEAS NEWS

Brazil's Congress agrees Collor's key spending cut

By John Barham in São Paulo

BRAZIL'S CONGRESS has approved one of President Fernando Collor de Mello's central economic reforms by sanctioning the closure of 11 ministries and abolition of dozens of government agencies, which will save an estimated $700m in 1990.

This is the first controversial measure to pass in Congress since debates began last week.

Congress must approve the president's entire reform package by the end of this week. Party leaders are negotiating adjustments to six other draft measures which make up the core of the new government's economic policies.

The measures institute a sweeping privatisation campaign, a new wages and incomes policy, and trade liberalisation. They also confirm the Government's 18 month freeze on $115bn worth of private financial assets.

The negotiations have

Collor: Warning being heeded

defused a crisis between the Government and Congress after Mr Collor warned that any alterations to his policy's structure would undermine the attack on inflation.

Angered, Congress affirmed its right to challenge the executive, but so far has passed the Government's measures with only superficial changes.

Talks will enter a vital phase this week as Congress begins voting the six critical measures. In the past, it has resisted deregulation, closing state companies and firing civil servants. However, sensing a sea change in public opinion following Mr Collor's election last year, legislators now favour a smaller role for the Government.

To the Government's relief, a much feared speculative consumption boom failed to materialise over the weekend after Brazilians drew their salaries on Friday. Rising demand for black market dollars and consumer durables would have signalled a lack of confidence in the inflation policies.

Retailers and black market operators reported only a modest increase in turnover. They blamed slower than expected business on a cash shortage which had forced banks to limit cash withdrawals to $30-150 per person.

Bankers say Brazilians have lost confidence in the banking system after Mr Collor froze 80 per cent of bank balances. The central bank has begun printing an emergency batch of higher value bank notes to meet the sudden demand for cash.

Nepalese monarch bows to the forces of reform

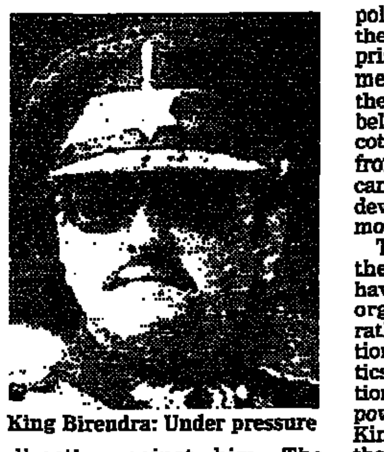
K K Sharma and Our Foreign Staff report on how pro-democracy campaigners won over their King

THE NEPALESE King appears to have yielded to the forces of change. His decision yesterday to allow political parties came as the pro-democracy campaign in the Himalayan kingdom seemed to be shaking his throne.

In the event, both King Birendra and the pro-democracy leaders pulled back from further confrontation. The King announced that he would lift a 30-year-old ban on political parties and opposition leaders promised to end their campaign of demonstrations.

The campaign for freely operating parties and free elections in the Himalayan kingdom came to a head with the storming of the royal palace on Friday - a move which showed how far the monarch himself had become vulnerable.

Traditionally, the King is venerated as the reincarnation of the Hindu god Vishnu and has traditionally been above criticism in Nepal. But the reform movement has found itself on a course which set it



King Birendra: Under pressure

directly against him. The attempt to storm the palace and the resulting clash between the army and thousands of demonstrators was the bloodiest violence in Nepal this century. It showed that the King's position could be endangered if he continued to resist popular feeling.

Leaders of Nepal's banned political parties have felt that the King has been a virtual prisoner of a palace coterie. Its members are unknown but there has been a widespread belief in Kathmandu that the coterie has prevented the King from appreciating the significance of unpalatable facts and developments like the pro-democracy movement.

This is the main reason why the illegal political parties have called for the ban on their organisations to be lifted rather than the king's abdication. Restoration of party politics and holding of free elections would, in effect, curb the powers of the group around the King and also limit his own to that of a constitutional monarch.

All political parties, therefore, united to launch the struggle for democratic reforms. Although the centrist Nepali Congress led by the ailing and ageing Mr Ganesh Man Singh has been in the forefront of the movement, it is supported also by the powerful communist party and influential student organisations.

Together they successfully mobilised wide popular support for the movement. Even many members of the national panchayat, the apex body of Nepal's system of "partyless grassroots democracy", supported the demand for reforms and expressed their disillusionment with the existing system.

As a former prime minister of the country said, the aims of the movement's leaders were, first, to seek an end to authoritarian rule by the monarch and the clique around him and, second, replace this by a democratic system of party government.

The movement's leaders have been unwilling to accept anything less than outright withdrawal of the ban on political parties. They rejected the controversial referendum of 1980, when 55 per cent of voters backed the present partyless system, just as they spurn – until yesterday – the King's offer of talks. Both were seen as attempts to delay reforms and buy time.

After Friday's clash, it was clear the politicians had the upper hand. The King and his advisers were forced on the defensive.

Throughout yesterday there were signs that the King would give in.

A number of prominent Nepalese made impassioned calls for a multi-party political system and state-run television extended its transmission time, raising speculation about an announcement.

The capital was tense, with soldiers armed with rifles and machine guns posted at main intersections, as well as in the maze of narrow lines winding through residential areas.

As their campaign gathered momentum in recent months, leaders of illegal parties not only harvested support within Nepal. Importantly, they got the sympathy and support of many Indian politicians. Nepal analysts point out that no movement for reform has ever been successful without at least tacit and moral support of the Indian authorities.

They point out that the King's recent intransigence stiffened after Mr V P Singh, India's Prime Minister, described the developments in Nepal as "an internal affair" of the kingdom.

But many Indian politicians belonging to all parties, including the ruling Janata Dal and the main opposition Congress, have given open support to the pro-democracy leaders of Nepal. They have also criticised the official neutrality of the Indian government.

Nepal politicians have drawn strength from their Indian counterparts, as well as from liberation movements in East Europe and elsewhere.

Having demonstrated they have popular backing, they made it clear that if the King blocked the movement for reform, it could cost him his throne.

ANC uses funeral for show of strength

Supporters of the African national Congress (ANC) in paramilitary uniform and brandishing fake pistols carrying the coffin of a colleague shot dead by police in the township of Sebokeng last month. Thousands of mourners attended the funeral of four of the 17 demonstrators killed during a protest march, and whose deaths delayed talks between the ANC and Pretoria, Reuter reports from Sebokeng, South Africa.

The shooting on March 26 had threatened to destroy a delicate negotiation process between the ANC and the white-led Government of President F.W de Klerk on how to end apartheid. The ANC put off exploratory talks, originally set for April 11, in protest at the killings. The talks have now been rescheduled for May 2 to 4. Mr De Klerk also said after an informal meeting with the ANC deputy president, Mr Nelson Mandela, on Thursday night that he would hold an inquiry.

■ Mr Nelson Mandela arrived at his organisation's headquarters in Lusaka, Zambia, yesterday for consultations with the exiled leadership.

India urged to attack camps in Pakistan over strife in Kashmir

By David Housego in New Delhi

THE RADICAL Hindu BJP, one of India's most influential political parties, has called on the Government to retaliate against Pakistan by striking at training camps across the border allegedly providing support to Moslem militants in Indian-held Kashmir.

In a strongly worded resolution of the party's national executive, the BJP called on the Government to "knock out the training camps and the transit routes of the terrorists." The resolution said that "Pakistan's many provocations amount to so many acts of war" and added that "hot pursuit is a recognised defensive measure."

Though the BJP is not a member of the Government, Prime Minister V P Singh's administration depends on it for support in parliament.

Its increasingly belligerent tone comes at a time of growing Indian frustration at the deteriorating situation in the northern state, where the armed forces are massively deployed against a widely supported separatist movement.

All the major towns in the Kashmir Valley, including Srinigar, the summer capital of the state of Jammu and Kashmir, were under curfew for the third continuous day yesterday as security forces carried out house to house searches to find two prominent local figures kidnapped on Friday.

Professor Mushir-ul-Haque, vice-chancellor of Kashmir University and Mr H L Khera, local manager of the state owned Hindustan Machine Tools company, were being held by the Kashmir Liberation Front, seeking the release of its own militants.

The kidnapping came in the wake of a further hardening of positions by both the Government and the separatist movement. Security forces claim to have arrested more than 200 militants who had crossed from Pakistan Kashmir over the last week.

Extremists yesterday phoned local newspapers in Srinagar to warn politicians and others against holding talks with Mr George Fernandes, the newly appointed Minister for Kashmir, on a visit to the Valley.

The BJP's belligerent tone at its national executive meeting in Calcutta was matched by equally strong statements from Mr Rajiv Gandhi, Congress leader and former Prime Minister. He told a meeting of his executive committee that it was time the Government took "some very strong steps" on Kashmir.

"I know what steps are possible. I also know what is in the pipeline and what the capabilities are. The question is, does this government have the guts to take strong steps?"

Vargas Llosa may face a run-off as Peruvians vote

By Sally Bowen in Lima

ALMOST 10m Peruvians went to the polls yesterday to elect a new President and Congress. Voting was proceeding in the capital in almost normal conditions, though security was tight at polling stations with armed police watching from rooftops.

The first exit poll, released in contravention of the law before the polls closed, gave Mr Mario Vargas Llosa, the novelist, 37.6 per cent, followed by political outsider Mr Alberto Fujimori, on 25.5 per cent. Mr Fujimori, the son of Japanese immigrants, has enjoyed a last-minute surge in popularity.

If echoed in the final vote, the two, who both follow a centre-right economic line, will go through to a second round run-off in a month or so.

A 10-year guerrilla war has placed two-thirds of Peru (temporarily including the capital, Lima) under a state of emergency. The principal subversive group, Shining Path, and the smaller Tupac Amaru Revolutionary Movement, both oppose the electoral process.

Mr Vargas Llosa and his Democratic Front alliance (Fredemo) won initial enthusiastic support when the campaign was launched 11 months ago. This has since waned.

Voting was to have ended at 3pm local time, but was extended by two hours by electoral authorities late yesterday to allow long queues of people to vote.

S Korean minister says protectionism in the past

By Ian Rodger in Seoul

CHARGES that Korea will return to its old protectionist ways after introduction on Wednesday of a package of export stimulation measures were vigorously dismissed yesterday by the Trade Minister, Mr Park Pil Soo.

"There will be no going back at all," Mr Park said in an interview.

Many Korean economists and foreign governments have feared that the new team of economic ministers brought in last month in a Cabinet reshuffle would restore restrictive policies that helped the country's economy to grow rapidly in the 1970s and early 1980s.

Mr Park himself is a former senior trade and industry ministry bureaucrat associated with those policies, but he said there was no question of retreating to the 1970s. Korean companies had to develop higher value products rather than expect the Government to use devaluations of the currency and other protectionist measures to help them fight tougher international competition.

"We have to import to increase the standard of living of the people," he said. "We need more imports of finished goods as well as raw materials. In order to do this, this ministry should open our markets as intended." Last year, the Government committed itself following bilateral negotiations with the US to a series of market opening measures over the next few years.

Mr Park acknowledged that the Government was taking new steps to boost exports, mainly by making more finance available to exporters, but the ultimate purpose was to enable people to import more.

There would be no attempt to slow imports through increases in red tape.

Mr Park argued that the new measures became necessary because the competitiveness of Korean industry had been fading. Companies had been resting on their achievements of the mid-1980s.

At the same time, the liberalisation trend had created a perverse anti-performance ethic in some quarters.

Last year Korea's exports, which account for nearly a third of gross national product, grew by only 3 per cent.

This was the main element that reduced GNP growth to 6.5 per cent, compared with more than 12 per cent in 1988. This year, a trade deficit of $2bn is widely forecast.

FT journalist held by rebel forces in Liberia

By Michael Holman, Africa Editor

MR MARK Huband, a Financial Times correspondent who went missing on Friday after the train on which he was travelling was ambushed in north-east Liberia, is understood to be unharmed and in the hands of anti-government rebels. His release is expected shortly.

The train from the port of Buchanan to the Liberian Mining Corporation's operations at Yekepa, in Nimba County, was fired on by rebels thought to be part of National Patriotic Forces of Liberia, seeking to overthrow the government of President Samuel Doe.

Nimba County has been the scene of fighting since last December. The rebels recently threatened to attack economic targets, including the rail line serving the important iron ore mine at Yekepa.

The trains' two drivers escaped from the ambush site, a steep cutting through the jungle where the railway had been blocked, but Mr Huband and the two other passengers are thought to have been captured by the rebel forces. The railway line then came under attack a second time on Saturday, when four fresh locomotives began hauling the stranded 120 ore-wagons and the four sabotaged engines back the 50 miles to the ore mine at Yekepa.

Production at the mine itself has not been interrupted.

Iran to resume natural gas exports to the Soviet Union

IRAN will resume exporting natural gas to the Soviet Union after a 10-year break under a 15-year trade pact signed yesterday, the Iranian news agency, Irna, said, Reuter reports from Nicosia.

Irna, monitored in Nicosia, said Iran would export at least 3bn cubic metres of gas to the Soviet Union each year and annual exports could rise to 10bn cubic metres.

Minimum annual revenue would be about $300m, the Iranian Oil Minister, Mr Gholamreza Aqazadeh, said. He added that the price of the gas exports would be calculated on a monthly basis according to international market rates. Iranian gas exports to the Soviet Union were halted in 1980 after Moscow rejected demands for a threefold price increase.

The agency said that the Soviet Union would receive the gas at the Caspian Sea border point of Astara. Iran's largely untapped gas reserves are the world's second largest after the Soviet Union.

Mr Aqazadeh said the two countries also agreed to transport Iranian natural gas to Eastern and Western Europe through the Soviet Union and had discussed the possibility of building a pipeline to Europe through Turkey.

Macao rejects boat people plan

By John Elliott in Hong Kong

THE PORTUGUESE enclave of Macao has rejected a request made by Mr Francis Maude, a junior British Foreign Office Minister, that it should build camps to accommodate Vietnamese boat people and should stop sending them on to Hong Kong, which lies 40 miles away across the Pearl River estuary.

Mr Maude made the appeal to Mr Carlos Melancia, the Governor of Macao, during a brief visit to the enclave on Saturday.

He is in Hong Kong for five days to test reactions to a Bill published in London last week on the UK's controversial plan to give passports to 50,000 of the colony's households.

The Macao visit was the first for several years by a British Minister. It was partly designed to increase British contacts with the Portuguese administration which hands the enclave over to China in 1999, two years after Hong Kong's transfer of sovereignty.

Mr Maude asked Mr Melancia to build camps and to introduce screening and repatriation procedures for dealing with the boat people.

At present Macao provides the Vietnamese with food and water, points them towards Hong Kong, and then alerts Hong Kong's authorities about their imminent arrival.

Mr Melancia said that Macao was too small to accommodate any more than the 360 it already has in camps, and that it was not possible for him to entertain the ideas.

The 360 compares with a total of about 56,000 Vietnamese in Hong Kong camps.

So far this year only 710 boat people have arrived in Hong Kong, half the total of 1,530 in the same period last year.

There is some evidence that many Vietnamese have switched to other South East Asian destinations, but it is too early for firm conclusions because would-be refugees could have been deterred by unusally cold weather so far this year.

■ Mr Martin Lee, a leading liberal campaigner, was yesterday elected the first chairman of the United Democrats of Hong Kong, a recently formed political party which is expected to be a important force in the colony's first direct elections next year.

Peking to restrict businesses

CHINA will soon issue new regulations restricting business activities in the private sector, an official newspaper said yesterday, Reuter reports from Peking.

China Daily said the Government would prohibit private enterprises from doing business in such sectors as finance, foreign trade, the military, real estate, railways and ocean shipping. Manufacturing and dealing in dangerous chemical products, explosives, some medicines and important raw materials would also be banned.

The government would, however, encourage private businesses in the service sector, "small commodities", and farm products. High technology and export-oriented enterprises would be helped, the newspaper said.

All private businesses will have to re-register to keep their licences under the new regulations, the daily said.

More than 3m private entrepreneurs have been driven out of business since the communist government launched an austerity policy in late 1988 to curb runaway inflation and overheated economic growth.

But the China Daily said that under the new rules, private enterprises "would soon discover new business opportunities thanks to government efforts to reinvigorate the market."

Peking would also restrain over-zealous local governments which have banned private firms for doing lawful business, the newspaper said.

Argentina says it will keep pressing UK over Falklands

THE Argentine Foreign Minister, Mr Domingo Cavallo, said yesterday that his country will keep pressing Britain over the issue of sovereignty for the South Atlantic Falkland islands, which Argentina calls the Malvinas, Reuter reports.

Mr Cavallo, the most senior Argentine official to visit Britain since the 1982 Falklands war, said in an interview that he hoped growing confidence between the two nations would lead to the right climate for negotiations.

"Argentina restates and will continue restating that at the same time it claims sovereignty of the islands it will always be prepared to respect the interests of the inhabitants of the islands," he said.

Mr Cavallo will have lunch with Mrs Thatcher today and is also expected to sign an agreement lifting visa requirements after talks with the Foreign Secretary, Mr Douglas Hurd. Britain and Argentina restored full diplomatic links, broken when Argentine troops invaded the Falklands, after talks in Madrid last year.

Mr Cavallo said a strong democracy and solid economic growth would bring the islanders around to accepting talks.

Reformers in Mongolia sharpen up their campaign

By Robert Thomson in Ulan Bator

MONGOLIA'S newborn democracy movement was baptised by Gobi desert dust yesterday at the opening of its first national congress, while the ruling Communist Party attempted to bolster its popularity by dismantling 10 ministries.

The 800 democracy delegates to the one-day congress, some who had travelled by horse and bus for several days from remote herding villages, gathered in Ulan Bator's cultural palace to approve a political agenda. This included the embracing of a market economy and revival of traditional Mongolian culture, long stifled in the world's second oldest communist state. Meanwhile, the Communist Party, attempting to slow the democracy movement's momentum, announced the restructuring of the Government and the dumping of six ministers in an answer to widespread complaints about an inefficient and bloated bureaucracy.

Ministries of agriculture and light industry were merged, as were health and social security, while the ministry for communal services was among those to disappear. A film director was appointed culture minister and a scientist was chosen to head a ministry of technological progress.

Sanjaasuren Zorig, the de facto head of the Mongolian Democratic Party, said that the Government was in need of an overhaul, but the Communist Party had made the changes in "a random and unscientific way." He argued that the announcement would "produce little if any effective changes."

Zorig began his speech to the party's congress with a condemnation of the present Government's economic record and a lament at the country's indebtedness to the Soviet Union, estimated at roubles 9.5bn.

Although Zorig was educated in political science in Moscow, his speech made clear that the party intends to push for a broader international role. It is comparing the present political upheaval to the end of Chinese domination of the country in 1911 and is ignoring the Soviet-backed "revolution" in 1921.

With elections possible in summer, the party yesterday began campaigning with promises to increase the wages of workers and herdsmen, and cut cadres' salaries. Three years' paid maternity leave was guaranteed to women, restrictions would be lifted on the size of nomads' herds, and monks would be sent abroad to revive the country's Buddhist traditions.

Conscious that its fate may be decided at an election, the Communist Party has begun to portray itself as broad-minded and benevolent.

Gombojavyn Ochirbat, the party's newly-appointed general secretary, yesterday promised to "expand our commercial and economic co-operation with Western countries" and said he welcomed foreign investment.

The Mongolian Democratic Party is by far the largest of about five groups claiming recognition as parties, while there are dozens of smaller groups with ambitions to become parties.

The Communist Party begins its own "extraordinary congress" tomorrow.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1985=100)

	Mar.'90	Feb.'90	Jan.'90	Mar.'89	% change over previous year
Japan	107.1	106.7	106.5	103.5	+3.5
Belgium	109.7	109.4	108.2	106.1	+3.4
W.Germany	106.4	106.2	105.8	103.5	+2.8

	Feb.'90	Jan.'90	Dec.'89	Feb.'89	% change over previous year
US	119.0	118.4	117.2	113.0	+5.3
UK	127.1	126.3	125.6	118.2	+7.5
France	114.7	114.4	114.1	111.0	+3.4
Netherlands	102.3	101.9	102.1	100.1	+2.2

Source: (except US) Eurostat

British Gas may lose Midlands supply contract

By David Thomas, Resources Editor

A GROUP of local authorities in the Midlands is negotiating to buy gas from an independent supplier in a move which would be the biggest dent yet in British Gas's monopoly of the industrial and commercial market.

Midland Gas Consortium, which represents nine councils and the West Midlands Police Authority, believes it is close to agreeing a gas contract with an independent supplier on behalf of its members.

The contract would break new ground by allowing the consortium to secure a cheaper price for its supplies by aggregating all the gas required at its larger sites. British Gas refuses to allow different organisations to aggregate their gas supplies in this way.

Mr David Whorwood, purchasing officer at Coventry City Council, said that more than £1m a year could be saved from the gas bills of the consortium's members by bargaining as a group.

The consortium's members are Birmingham, Coventry, Dudley, Sandwell, Solihull, Staffordshire, Walsall, Warwickshire and Wolverhampton councils, and the West Midlands Police Authority.

The consortium has about 630 sites, such as schools, sports centres and office blocks, which each have an annual gas demand of more than 25,000 therms – the point above which British Gas is open to competition.

These 630 sites use about 35m therms of gas a year, which would represent by far the biggest contract yet lost by British Gas in the newly liberalised commercial gas market.

The first gas contracts which were signed by independent suppliers earlier this year have tended so far to be with single-site industrial customers.

The Midland Gas Consortium is due to resume negotiations this week with Quadrant, a joint venture between Esso and Shell, and has been talking to Associated Gas Services, a company headed by Lord Ezra, former chairman of the National Coal Board.

No independent supplier would have access to enough gas to supply all Midland Gas Consortium's needs immediately.

But Mr Whorwood said he hoped that gas from an independent supplier would flow to some of the sites fairly soon and that all they would all gradually switch over.

Under the rules governing the new gas market, independent suppliers have to reach an agreement with British Gas to use its pipelines.

Shearson drops case in tin price dispute

By Kenneth Gooding, Mining Correspondent

SHEARSON Lehman Hutton and its commodities offshoot have dropped legal proceedings against seven former members of the London Metal Exchange committee arising from the 1985 collapse of the International Tin Council's price support scheme.

The two Shearson companies, part of the American Express banking group, have withdrawn their notice of appeal against a UK High Court judgment in March last year.

The LME said at the time that the High Court judgment vindicated actions by the committee after the council ran out of money to support prices and faced claims totalling more than £500m. The High Court last year awarded costs against the Shearson companies which later served notice of appeal.

The 22 member countries of the council paid its 36 creditors £182.5m as part of an out-*of-court settlement on March* 30 this year. Under the terms of the agreement, the creditors dropped all outstanding litigation against the countries in London and elsewhere.

Haughey sees extradition problems easing

By Kieran Cooke in Dublin

MR CHARLES HAUGHEY, the Irish Prime Minister, has said that recent controversial extradition judgments by the Irish Supreme Court mark only a "temporary phase" and that in future he expects no problems between Britain and the Republic of Ireland.

Last week the Irish Supreme Court refused to extradite Mr Owen Carron, wanted in Northern Ireland on firearms charges. The court judgment was based on the view that Mr Carron's alleged offence was political.

Three week ago the Supreme Court gave a similar ruling in the case of Mr Dermot Finucane, wanted in Northern Ireland for taking part in a mass IRA prison break-out in 1983.

Mr Haughey *said* that the cases of Mr Carron and Mr Finucane had been brought under the terms of pre-1987 Irish law which allows for a defence against extradition on political grounds. Mr Haughey, describing present Irish extradition laws as "among the best in the world," said that since 1987 the republic had incorporated European rules on suppression of terrorism into its law.

Alan Harper

Charles Haughey: extradition difficulties will not seriously affect Anglo-Irish agreement

Mr Haughey said that in future extradition cases the *courts would not* allow a political defence to be made by those wanted in connection with crimes of a terrorist nature.

"This will do away with present difficulties," said Mr Haughey. "The Anglo-Irish Agreement will not in any way be seriously affected by present circumstances."

But Mr Garret FitzGerald, the former Fine Gael Prime Minister, has warned that if recent Supreme Court judgments were allowed to stand they would amount to condoning anarchy in Ireland.

"The right of individuals, as a form of political activity, to raise an army and wage certain forms of war in the name of the Irish people against the wishes of the majority has been asserted by the Supreme Court," said Mr FitzGerald.

Mr Haughey accused Mr FitzGerald of making irresponsible statements. Mr Haughey is due to go to Belfast this week in his capacity as president of the European Council, to address a meeting of the Institute of Directors.

But it appears that in the light of recent events and because of the possibility of large-scale protests Mr Haughey's trip is now in doubt.

Mr Peter Brooke, the Northern Ireland Secretary, has said he has been greatly disturbed by recent events in the Irish courts which had created the impression that terrorists might feel there was a safe haven for them within the Irish Republic.

Model B clearing makes its UK debut

By David Barchard

SOCIETE GENERALE, the French Banking Group, today *introduces a new clearing sys*tem for UK stockbrokers which it says will enable them to cut their fixed overheads costs.

It is believed to be the first time the system, known as Soclear, a Model B clearing *system, has been offered to* stockbrokers in the UK. It handles all transactions on behalf broking customers from the point of execution to final settlement.

Model B clearing is an arrangement whereby a stockbroker delegates financial responsibility for client and market settlements to a specialist third party clearing company. As a result stockbrokers can substantially reduce their funding needs and elimi*nate completely the need to* meet counter-party risk requirements.

Soclear will be based in Cardiff and for the first three months of its operations it will serve six stockbroker firms.

Mr Stephen Pinner, director of Société Générale Clearing Service, said: "This development is similar to services launched in the UK since their deregulation."

FT SATELLITE MONITOR

Dish sales decline to lowest monthly total

By Raymond Snoddy

INSTALLATION of satellite television dishes in the UK appears to have come to a virtual halt in the run up to the launch of British Satellite Broadcasting later this month.

The FT Satellite Monitor's 13th monthly survey of the satellite television market in the UK found that an estimated 10,000 dishes were bought or rented in March. That was one of the smallest monthly figures in the survey.

It means that 639,000 households now have satellite television equipment. A similar number receives the new satellite television channels on cable networks in the UK and the Republic of Ireland.

"This is probably the lull before the storm and reflects real lack of demand because of economics – mortgages, inflation, poll tax – and a holding back before the launch of BSB," said Mr John Clemens, chairman of Continental Research which carries out the survey for the Financial Times.

British Satellite Television, whose main shareholders include Pearson, publisher of the Financial Times, plans its official launch of five channels including a subscription movie channel on April 29.

Dish sales appeared to be flat in March but there is better news for the subscription film channels which are vital to the finances of both Sky and BSB. Two out of three households with dishes were either are subscribing to a movie channel or intended to subscribe.

Continental has forecast that there will be 5m satellite dishes in the UK by the end of 1993. "That would mean annual revenues for Sky and BSB together of around £400m in 1994 – double the predicted ad revenue for all the advertising-based satellite channels," Continental says.

The Continental survey is based on interviews with a representative sample of more than 4,000 adults. The number of dish-owning households identified in the sample in March was 107, with 18 claiming they had large dishes and 89 the 60cm dishes needed to receive channels from the Astra satellite. The scaling up of the survey for the UK population involves a margin of error of plus or minus 40,000.

The new plateau in installations has been accompanied by a marked decline in February and March of the potential market with about 1m fewer homes saying they either had or intended to install satellite television. A total of 458,000 *households now* say they will definitely install satellite compared with 666,000 in December. Those saying they will probably install totals 2.26m from 3.1m in December.

The March survey reinforces the view that the main market is still among younger households with children, and demand is spread fairly evenly over the country.

Mr Clemens believes that the launch of BSB will lead to heavyweight promotion for satellite television over the next few months and could lead to a resurgence of installations.

"There may well be an initial hiatus as the potential market weighs up the options and decides which route – BSB or *Sky/Astra* – to take," he said.

Dartmoor staff find prisoner dead after riot

A PRISONER was found dead by staff at Dartmoor prison yesterday and there were disturbances at other jails as the protest at Manchester's Strangeways prison entered its eighth day.

The body was in the prisoner's cell where there had been a fire.

The trouble at Dartmoor had ended by the evening and Mr John May, the governor, said that all but one prisoner had surrendered.

At Strangeways negotiators were preparing to make contact with the 20 or so protesters still in place in spite of a barrage of noise overnight designed to force them out.

Mr David Mellor, Home Office minister responsible for prisons, described the Dartmoor disturbances as a "copycat incident" and denied that complaints about conditions in the prison had "any legitimacy."

"It is a problem of running a prison system that it is an unstable situation," he said. "If people want to cause trouble, there is always scope for them to do so."

Mr Barry Sheerman, an opposition home affairs spokesman, called for an urgent inquiry into the prison system and urgent steps to reduce the number of people in jail.

Accusing the Government of having its head "stuck firmly in the sand," he said: "For years, prison reformers have warned the Government that filling our prisons to overflowing and ignoring the changing nature of prisoners and their behaviour would store up trouble for the forces of law and order."

But Sir John Wheeler, the Tory chairman of the all-party home affairs select committee of MPs, said that after three big inquiries into disturbances in prisons over the last four to five years the Government was already "awash with ideas and recommendations."

At other jails yesterday, staff regained control at Cardiff prison, the Home Office said, after three hours of disturbances in which two officers were injured.

At Leeds, prisoners were back in their cells after staging a sit-down protest in their exercise yard, the Prison Officers Association said.

Three prison officers were taken and treated for cuts and bruises after prisoners at Brixton jail in south London held a sit-down protest.

A total of 300 prisoners were evacuated at Pentonville in north London after a gas pipe was pulled from a wall. They were returned within an hour.

Role of invisible exports council is studied by Bank

By David Barchard

THE BANK of England is considering a more active overseas role for the British Invisible Exports Council, the umbrella organisation representing companies whose income is from the sale of financial services outside the UK.

Interest in the BIEC's activities has grown sharply in the past few months as a result of a £713m deficit on the UK invisibles account in the final quarter of 1989.

The future of the BIEC – which is privately funded by a group of institutions, including the Bank of England, at a total annual cost of £700,000 – has been studied in two reports submitted to the Bank in the last year.

The reports examined the possible merging of the BIEC with the British Overseas Trade Board, a government-funded body, to create a single representational organisation for all British exports. The reports also looked at the effectiveness of the BIEC's overseas missions, and promotional issues.

The Bank is now considering the future of the BIEC and urging it to look more closely at its members' needs.

Charter decline gives small airlines a bumpy ride

Three carriers have gone out of business recently and others may be in difficulty, says Paul Abrahams

THESE are bad times to be small in the British airline business. Three carriers have gone out of business this winter, and, in an industry prone to gossip, rumours that other airlines are in trouble appear unusually strong.

"What we are witnessing is a strong trend towards consolidation throughout British civil aviation, and one that will undoubtedly continue for the rest of the year," says Mr Michael Bishop, chairman of British Midland, the UK's second largest carrier.

The carriers that have been hit hardest have been charter operators. The three airlines that ceased trading recently – British Island Airways, Paramount Airways and Novair, owned by the Rank Organisation – were all heavily committed to the charter market.

"It's no secret that the bottom has fallen out of the charter market," says Mr Graham Hutchinson, managing director of Dan Air, the UK operator. "Holiday bookings have fallen considerably over the last 12 months. High interest rates and consumer resistance to spending hours of holiday time at Gatwick delayed by air traffic control problems have both taken their toll."

Most charter companies are trying to reduce capacity by selling jets or by leasing aircraft to other airlines. Dan Air, for example, has leased jets to Australia and Malta and has sold one of its Airbus aircraft. Another response has been to shift capacity away from the cheaper Mediterranean routes to long-haul destinations in the Middle and Far East.

Some operators have also tried to reduce their vulnerability to a downturn in the charter market by developing scheduled operations.

Paul Murphy

Queueing at Heathrow: landing charges may force small carriers out of big airports

The whole of British civil aviation is passing through a difficult period but the smaller airlines are particularly vulnerable. First, British airlines' cost base has risen sharply over the past year because of several factors, many of which affect smaller airlines disproportionately. They include:

● Airport landing charges. BAA, formerly the British Airports Authority, has increased landing fees for smaller jets at Heathrow to the same level as those for Boeing 747s. Brymon, one of the UK's smaller airlines, estimates that its landing fees went up 49 per cent on April 1. It fears that BAA may be using the pricing mechanism to force smaller carriers out of its airports. BAA argues that landing fees should be the same for smaller jets because they take up the same air space as 747s.

The smaller airlines are also concerned that the Civil Aviation Authority, which is due to publish a report in July on airport congestion in south-east England, will recommend that aircraft smaller than 80 seats should be banned from Heathrow.

● Air traffic control charges have increased. Some airlines say their charges have gone up by 45 per cent to pay for £600m-worth of systems to relieve congestion over the UK in the next 10 years.

● Security charges have gone up after security was tightened at airports following the Lockerbie bombing.

● Aviation fuel costs increased by as much as 35 per cent in Europe in the last quarter of last year. The rise in fuel prices is slowing, but the additional cost has affected profits.

● Higher interest rates have dampened demand for holiday air travel and have increased the cost of aircraft ownership.

Costs could rise further with the introduction of new transport regulations which are being produced by the European Commission in Brussels.

"One half of Brussels is trying to bring a veritable torrent of aviation legislation, almost all of which implies additional cost to the whole industry," says Mr Graham Hutchinson, Dan Air's managing director. "At the same time, the other is mesmerised by deregulation which should bring down ticket prices. At some point the two halves will have to talk to each other."

Some of the small and medium-sized airlines have pulled out from unprofitable routes in an attempt to offset the additional costs. Air Europe, the carrier owned by the International Leisure Group, stopped flying from London to Geneva this spring, while Dan Air has halted operations between Gatwick and Dublin. London City Airways, which is partly owned by British Midland, has halted operations from London City Airport to Amsterdam and reduced flights to Paris.

The airlines are also trying to shift their scheduled capacity to more profitable routes. This, in part, explains the lobbying by some of the UK's smaller airlines to prevent the deal between British Airways, KLM Royal Dutch Airways and Sabena, to create Sabena World Airlines in Brussels. The UK carriers hope their opposition will oblige the Government to force British Airways to cede routes to them in the same way that the national airline was forced to do so after the British Caledonian deal.

The smaller carriers are also moving their services up-market, attempting to target the lucrative business travel sector.

Several carriers are also seeking to exploit other areas of business. Dan Air is developing its engineering activities and other airlines are increasingly moving into the aircraft leasing and management business. In 1989 International Leisure Group, which owns Air Europe, made £12.2m – about a third of its profits – from selling three of its Boeing jets and through leasing activities. It is also planning to obtain 22 Boeing aircraft over the next three years which it will either operate itself or lease to other airlines.

Some in the industry believe that the days of the small independent airline may be numbered despite attempts to adjust.

"The single European market in 1992 may sound like a golden opportunity," says Mr Mike Bathgate, commercial director at Brymon. "And there are indeed opportunities, but there are also significant problems. It is almost impossible for small carriers to break into new markets against existing operators because of high marketing expenses."

Mr Bathgate, whose airline is partly owned by British Airways, believes the smaller carriers need to set up strategic agreements with the larger companies. Recent events appear to bear out this view. Dan Air is understood to be in negotiations with at least one European national carrier. International Leisure Group, which owns Air Europe, is also believed to have been talking to other European airlines.

Once the European Commission has decided the fate of the Sabena World Airways and Air France-UTA deals, there may be a rash of takeovers in European aviation. In the meantime the future of small and medium-sized carriers remains up in the air.

More competition sought for council waste contracts

By Peter Marsh

WASTE MANAGEMENT companies hope that government guidelines, due within the next week, will increase the private sector share in the annual £1bn business of collecting domestic rubbish.

The guidelines will provide detailed rules for local authorities putting waste collection and other service contracts out to tender to the private sector.

Under the 1988 Local Government Act, all district and borough councils in England must organise the contracts on the basis of competitive tendering by 1992. That has followed ministers' wishes to involve private companies much more with work traditionally done by council workers.

Of the estimated 200 contracts awarded so far by councils for rubbish collection, it is believed that 80 per cent have been won by the authorities' own waste collection departments.

The National Association of Waste Disposal Contractors, which represents a number of large waste management groups such as Cleanaway and Rechem, said it believed some of the tendering procedures had been unfair. The Department of the Environment said the new, tighter guidelines would stipulate the way in which authorities would put service contracts out to tender and would reduce the possibility of favouritism.

The department said it was investigating six authorities suspected of having organised tendering in such a way as to bias the selection procedure towards their own staffs. The councils are Wolverhampton, West Midlands; Knowsley, Merseyside; Eden, Cumbria; Charnwood, Leicestershire; Braintree, Essex; and Bristol, Avon.

Hillingdon council in west London has already been found to have failed to follow guidelines and has been ordered to cancel a vehicle maintenance contract awarded to its own labour force.

NEWS IN BRIEF

Faults found on telephone networks

NINE out of 10 telephone networks in large companies have undetected faults and about 60 per cent have external lines that are paid for but not used, according to a survey published today.

The study by Datapulse, the telephone management consultancy, found that the average caller will wait up to 35 seconds for the switchboard to answer before hanging up, but that companies on average then lose one in 15 calls within their internal system.

Survey of Telephone Usage. Datapulse, Aubrey Watson House, Quebec Rd, Henley-on-Thames, Oxon RG9 1HA. Free.

Rushdie ruling

MR SALMAN RUSHDIE, author of the The Satanic Verses, will learn today whether he can be prosecuted under the blasphemy laws.

Three Appeal Court judges, Lord Justice Watkins, Lord Justice Stuart-Smith and Mr Justice Roch, are due to give their judgment on an action brought by the British Muslim Action Front.

It is challenging the decision of Sir David Hopkin, Chief Metropolitan Magistrate, not to issue summonses against Mr Rushdie and his publishers for "blasphemous libel and seditious libel under common law."

Poverty action urged

A STATUTORY minimum wage, increases in child benefit and reform of the taxation system to help the poor are called for today by the Child Poverty Action Group in a book published to mark the 25th anniversary of the charity.

Ms Ruth Lister, author of The Exclusive Society – Citizenship and the Poor, claims that millions of Britons are barred from being full citizens because of poverty.

Green approach

GREEN PARTY members were urged yesterday to sharpen their organisation and adopt a more professional approach in an attempt to convince people of their vision.

Mr David Icke, a party spokesman, called for a radical overhaul in the party's structures in a speech to the party's four-day conference in Wolverhampton.

Review of the rich

NEARLY half of the richest 200 people in Britain are self-made millionaires, many of whom made their fortune in the last decade, according to a Sunday Times survey published yesterday, writes Michael Skapinker.

There were 35 Old Etonians on the list, but just one MP – Mr Michael Heseltine, whose £60m publishing and property fortune put him 134th.

The five women on the list included the Queen, whose £6.7bn fortune makes her easily the wealthiest person in Britain.

Deedes says free speech at risk

By Raymond Snoddy

LORD DEEDES, the former Daily Telegraph editor, says in a report published today that the British Government and judiciary appear to be growing progressively more careless about the principles that should govern all limits on free expression.

Further threats to freedom of expression in Britain arise from the excesses of some newspapers, Lord Deedes argues in his chairman's introduction to the report, Freedom of Expression and the Law, by the legal organisation, Justice.

"It is when the antics of a minority provoke calls for new curbs on free expression and when public indifference on the subject prevails that the liberties of the majority are most at risk," he says.

The onus of proof on freedom of expression has to be shifted back to where it belongs, Lord Deedes argues, "with those who desire for one reason or another to impose fresh limitations on it to adduce solid principles for so doing."

The committee of Justice calls for reforms including:

● Allowing a defence of justification in the public interest under the Official Secrets Act for unauthorised disclosure of protected information if internal avenues of complaint are exhausted.

● An end to "the lottery" of current defamation law by giving judges the right to direct juries on libel damages and extend legal aid to defamation cases.

● Abolition of the crime of blasphemy.

The committee says it also endorses such recent institutions as readers' representatives, newspaper ombudsmen and reply programmes as alternatives to formal legal proceedings.

Freedom of Expression and the Law, £3.50. Justice (British Section of the International Commission of Jurists), 95a Chancery Lane, London WC2A 1DT.

Japanese demand lifts pottery exports

By Alice Rawsthorn

THE BRITISH pottery industry is enjoying strong export growth thanks to demand for traditional British china and porcelain in Japan.

In recent years manufacturers have invested in developing the Japanese market, where there is healthy demand for western luxury goods. Manufacturers include Royal Doulton, a subsidiary of Pearson, which also owns the Financial Times, and Waterford Wedgwood.

China and porcelain manufacturers export two thirds of their output, with the US traditionally the main overseas market. That makes export performance vulnerable to sudden swings in the sterling-dollar exchange rate.

The value of china and porcelain exports to Japan rose by 37 per cent last year according to the British Ceramics Manufacturers' Association.

The increase helped compensate for a slight fall in exports to the US and contributed to the 8 per cent increase in the overall value of china and porcelain exports to £111.5m.

Exports of less expensive earthenware pottery – made by companies such as John Tams and Churchills – rose last year by 12 per cent to £108.5m.

Mr Gerald Tams, chairman of John Tams, said domestic demand had remained relatively stable, though caution in the retail sector had affected manufacturers. Retailers had been less confident placing orders.

Ulster MPs to vote with rebels

By Alison Smith

TORY MPs planning to vote against the Government over the issue of British passports for Hong Kong citizens were heartened yesterday by the decision of eight Ulster Unionist MPs not to support the bill in the Commons.

Within the Tory party differences over the future of Hong Kong continued as Mr Robert Adley, Tory chairman of the all-party British-Chinese Parliamentary Group, accused Mr Francis Maude, a Foreign Office minister, of "blundering around over Hong Kong trying to stir up a Falklands-type crisis."

MPs will vote the day after they return to Westminster from the Easter recess on the Government's plans to give British citizenship to 50,000 Hong Kong Chinese heads of household.

Mr Bowen Wells, one of the Tory MPs leading the rebellion, said yesterday that the Ulster Unionists' decision would be "significant" in the vote. The Government wants to avoid this discussion in the Commons itself, which the rebels believe gives them the best prospect of success.

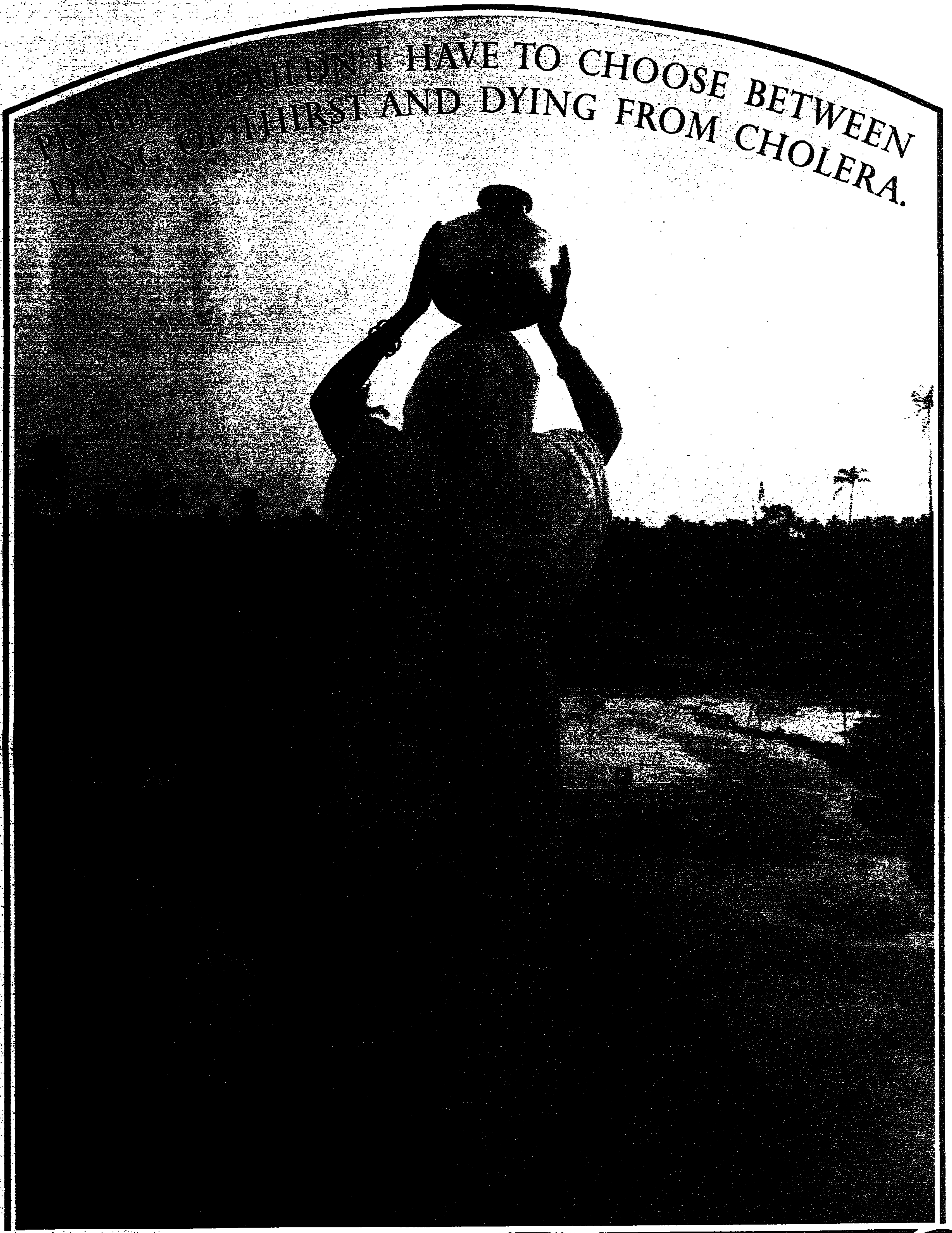
Sir Geoffrey Howe: trying to restore Tory calm

But Tory party managers insist that the Government will win the votes on the bill when MPs return to Westminster after the Easter break, even though it is too early to be certain whether the figure of 60 backbench Tory rebels is accurate. Mr John Taylor, the Ulster Unionist MP for Strangford, said that the party had decided to revise its previous "sympathetic" attitude to the bill because that gesture had met with a "total lack of interest" from the Government.

The reinforcement for the rebellion undermined the attempt at the weekend by Sir Geoffrey Howe, the Deputy Prime Minister, to steady the Tory party, as two opinion polls confirmed Labour's lead of more than 20 per cent over the Tories.

Sir Geoffrey Howe had tried to reassure worried Tories, by acknowledging that the Government might "change the pace" of reform, and "concentrate on winning friends as well as arguments."

A Numbers Market research poll for The Independent on Sunday showed 67 per cent of the public opposed to the Government's plans to give passports to some 225,000 Hong Kong Chinese, and only 25 per cent supporting it.


PEOPLE SHOULDN'T HAVE TO CHOOSE BETWEEN
DYING OF THIRST AND DYING FROM CHOLERA.

Riots spread jitters among foreign investors

Rachel Johnson on the threat to financial stability from reaction abroad to protests against the poll tax

MR MARK BROWN, a market strategist, is contemplating the prospect of further poll tax riots with almost as much gloom as Mr David Waddington, the Home Secretary.

The next few months could see more unrest the campaign against the poll tax, or community charge, continues following the changeover from the rates system on April 1.

On a recent trip to New York Mr Brown switched on the television to see the CBS evening news. It was the day before he was due to advise UBS Phillips & Drew's international clients on the rewards of buying UK securities and shares.

The lead item was the poll tax riots and civil disturbance in Britain. Mr Brown was left wondering how he was going to be able to sell the UK to his clients.

International capital markets, led by the Far East, decided in the wake of the violent march on Downing Street that sterling was a sell: at one stage the FT-SE 100 share index fell 36 points.

Sterling was marked down a point on its trade-weighted index even before London had opened.

Mr Robin Leigh-Pemberton, Governor of the Bank of England, acknowledged that "political uncertainties have had an effect on sterling."

However, Mr Brown's hopes of selling the UK abroad were fulfilled – even at a time when images of riots around Nelson's Column, the icon of tourists' London, were flashing across screens all over the world.

A quick glance at comparable flashpoints this century might reassure stockbrokers and foreign investors that the reaction to bad news is usually short-lived.

● In 1968 student riots swept Paris. The franc plunged and French gold reserves were drained. The UK Government's standing, meanwhile, was at its lowest point ever recorded in the opinion polls. Sterling languished, but for a short time only, and UK stocks had started climbing again by mid-May.

● In April 1981 serious rioting broke out in Brixton, London, and Toxteth, Liverpool. The FT All-Share Index rose for most of the month.

● In 1984, events were politically and economically dominated by the miners' strike. A typical episode occurred in August when 5,000 miners picketed a colliery and 19 policemen were injured. The share index rose. Currencies barely flickered.

This time, however, City economists are saying that the political risk posed by the poll tax will continue to have a profoundly negative effect on the stability of the markets.

Analysts point out that losses in UK equities since 1979 have been limited to some extent by the memory that shares can benefit under Labour governments. The City associates Labour with higher growth as well as higher inflation.

Infrastructure stocks, expected to benefit from enlarged spending programmes, can gain. Privatisation issues, however, *lose value in response to* Labour promises of renationalisation and tighter regulation. Water shares have underperformed relative to the market by 10 per cent since the start of the year, according to UBS Phillips & Drew.

Dealers are continuing to report that news of the riots has sidelined foreign investors. Mr Paul Chertkow, currency strategist at Citibank, says the underlying malaise is serious.

"One economic initiative (the poll tax) so threatens to transform the debate that even if the economy improves radically, the political position of *the Conservatives* will not," he said.

A possible precedent, cited by the Bank of England, is the Invergordon mutiny of 1931. Seamen in the Royal Navy were protesting against pay reductions decreed by the new Government.

That unrest was interpreted by western Europe as humiliation for two great British institutions – the Navy and the Bank. The disorder played a part in pushing Britain off the gold standard.

In today's case, Mr Chertkow says, foreign investors expect the riots to push either the poll tax or the *Government out* of the picture.

Mr John Shepperd, economist at Warburg Securities, says this is classic market psychology following a riot over an unpopular policy.

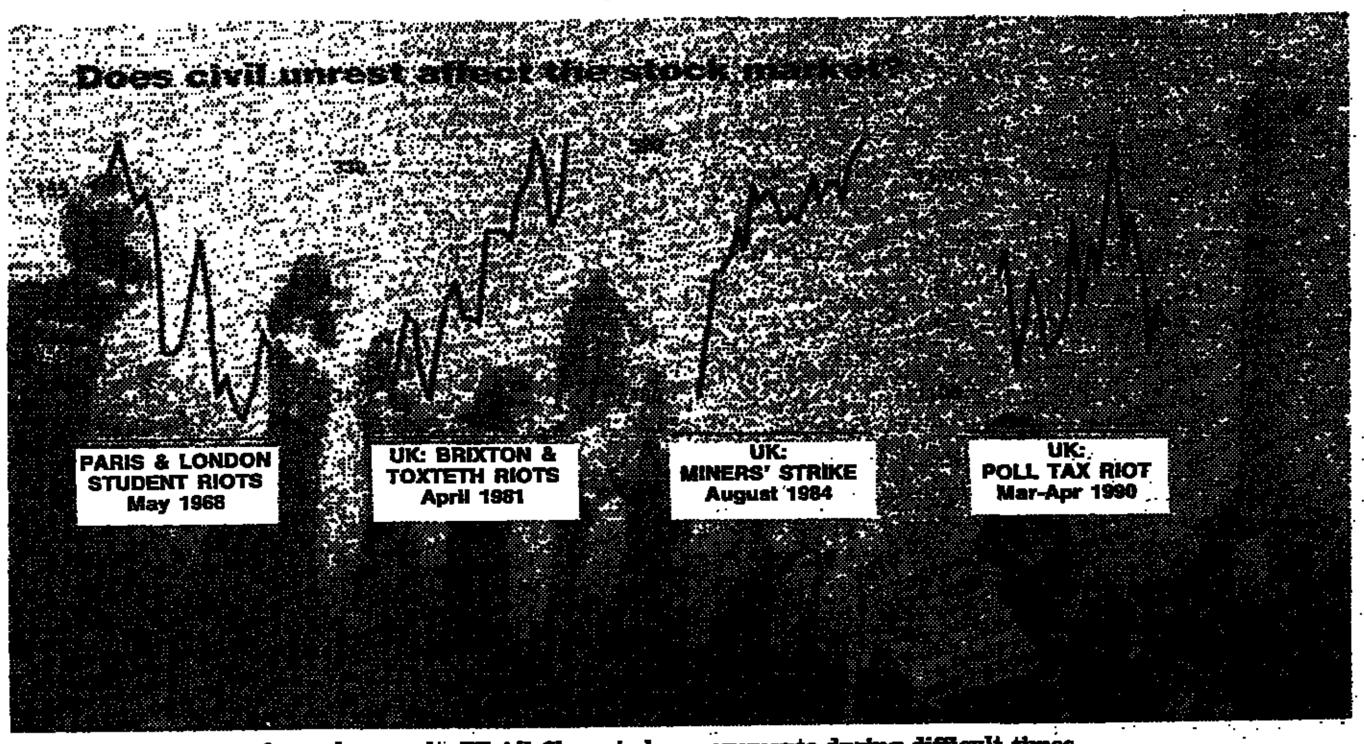
In the aftermath of civil disturbance, the markets fear the Government will exchange unpopular policies for ones unfavourable to the markets. For example, there are fears that the Conservatives will sharply increase public spending to ease the pressure of payment of the poll tax.

Beyond the fears of a policy change lurk the deeper fears of a change of government. It seems that while the UK domestic investor is able to dismiss the idea that a demonstration in Trafalgar Square might unseat the Government the foreign investor takes more persuading.

Economists say an exaggerated reaction by foreign investors to local difficulties could be the biggest threat to the UK's financial stability.

In spite of such worries investors can take comfort from the thought that civil disturbance is part of Britain's heritage.

Sir John Soane designed the 30ft curtain stone wall for the, then private, Bank of England in Threadneedle Street in response to a mob attack on the Bank in the anti-Pope Gordon riots of 1780 – riots which sent the Bank's stocks plunging.



The ups and downs of popular revolt: FT-All Share index movements during difficult times

Index of business optimism suggests 'easing of recession fears'

By Andrew Marshall, Economics Staff

BUSINESS optimism in the UK is increasing, but so are expectations of higher inflation, according to a survey out today.

The prospect of higher profits and sales boosted expectations for the second quarter of the year, said more than 1,000 managing directors of public and private companies surveyed by Dun & Bradstreet, the business information company. Its index of optimism has risen to 22 for the second quarter of 1990 from 3 in the first quarter, the lowest level in the 3-year history of the index.

"Fears of a recession appear to be easing," Mr Keith Williams, managing director of Dun & Bradstreet, said. "Now that most of the bad news is out in the open, British businesses can consolidate their positions, fully aware of the economic environment."

Dun & Bradstreet measures optimism by subtracting the percentage of respondents forecasting a downturn from the percentage expecting an improvement on the corresponding quarter a year earlier.

Sales, profits, employment, new orders and advertising, which all showed negative figures in the previous quarter, have now swung back to positive.

That represents an increase in optimism across all sectors, including manufacturers, wholesalers, retailers, services and the construction industry.

Predictions of a further rise in inflation are likely to be confirmed this week by the release of figures for output prices and input prices on Monday, and the retail prices index on Thursday. Increases in the RPI caused by mortgage rate increases are expected to take this to an annual rate of nearly 8 per cent. The indexing of excise duties in the budget and the effect of the poll tax are expected to take the RPI to more than 9 per cent in April.

Lloyds Bank says in the latest edition of its review Financial Outlook, circulated to brokers, that even though the RPI will come down after the summer the underlying rate of inflation – excluding the mortgage rate – may continue to accelerate in lagged response to a lower pound and rising wage pressure.

Vosper offers a 37-hour week

By Michael Smith, Labour Correspondent

VOSPER THORNYCROFT, the shipbuilder, has offered its manual workers a 37-hour week, to be introduced by April of next year, in a proposed deal that will influence pay negotiations both in other shipyards and at other south coast companies.

It is thought that, if the 1,200 manual employees accept the deal, they would be the first shipyard workers in the country to win a commitment for a two-hour reduction in the working week after the start of a national union campaign for hours reductions.

Mr John Simmons, chairman of the local branch of the Confederation of Shipbuilding and Engineering Unions, said Vosper was also the first large company in the Southampton area to offer a 37-hour week deal.

Nationally the unions say they have won agreements for 37-hour weeks at about 130 factories. Although the pace of change is quickening, the vast majority of blue collar workers in engineering remain on 39 hours.

The unions, who have been supporting a strike over hours at British Aerospace's Kingston upon Thames site since September, are planning strike ballots next week at 11 plants owned by Lucas Industries and Weir Group.

These will be followed by ballots at 34 plants, owned by various companies, around the country.

Vosper Thornycroft's offer of a 37-hour week, including a one-hour cut from July, was tabled at the end of last week as unions prepared to order an overtime ban over the company's two-year pay offer which would have given 8.02 per cent from April 1, another 2 per cent in January and the inflation rate from next April.

The latest offer would give an immediate 9.02 per cent on the weekly rate, plus 1 per cent from next January and the rate of inflation from next April.

Mr Martin Jay, managing director, said the hours reduction would be self-financing through productivity improvements. Assuming the offer was accepted, the company was delighted to have achieved the stability afforded by a two year deal.

Mr Simmons, an official of the MSF general technical union, said that, taking the hours cuts into account, the hourly pay for skilled workers would rise during the two-year deal by about 24 per cent to £6. He and other negotiators were recommending acceptance.

Bonas plotting pay scales via the value-added path

Mike Smith reports on how an innovative package is benefiting one textile machinery manufacturer

WORKERS AT Bonas Machine, a north-east of England textile machinery manufacturer, recently won a pay and conditions package worth more than 12 per cent. Even though the agreement was more than 4 percentage points above inflation, there could be no question about whether they had earned it.

That certainly stems from a pay determination scheme which links wage increases directly to productivity. The scheme is part of an innovative approach to industrial relations brought in after the company's courtship with bankruptcy in the mid-1980s.

Drawing on Japanese ideas, the Bonas agreement with its manual workers allows for pendulum arbitration if both parties agree. The company also negotiates with employees through a company council, encourages teamworking, uses the team briefing system and has a high degree of flexibility among its workforce.

Bonas, which employs 320, has had problems in introducing its ideas. Team briefing has been resisted, because of fears it may erode union power, and the latest agreement makes clear that workers have a right to refuse to take part. More seriously, Bonas last year suffered a nine-day strike after manual employees rejected its pay offer – partly, the company thinks, because they did not understand it – and then refused pendulum arbitration.

None the less the company says its unusual approach to industrial relations has played a part in a revival in fortunes which has seen an operating loss of £3.2m in 1984 being turned into a profit of more than £4m in 1989.

Mr Ian Harris, managing director, says Bonas was within days of receivership when, in 1984, he and a sleeping partner bought it from the Bonas family, which had founded it in the early 1950s. Prospects improved dramatically through its development of electronic machinery, in one of the last industries to undergo a technological revolution. However, progress was restrained by outdated premises in Sunderland and a dispirited workforce.

Mr Harris saw his chance to tackle both problems through relocation. He says that had he been starting from scratch the North East would not have been his ideal site but the company felt bound to provide security of employment to existing workers if it could.

Its willingness to do so depended on their agreeing to fundamental changes. "We put a management shopping list to them and said either you agree to this or we relocate elsewhere," Mr Harris said. Although there was considerable suspicion the then workforce of 220 gave its approval and the company moved to a £5m plant on the Team Valley trading estate in Gateshead, within daily travelling distance of Sunderland.

Ian Harris: won approval for management shopping list

Mr Harris says that, although Bonas looked at the agreements that other companies, including Nissan nearby and Yamazaki in Wales, had with their workers, its own deal was not a crib of any particular group. "It was all good sense. When we looked at pendulum arbitration, for example, we were astonished to find it was so rare."

The power of the company agreement's pendulum arbitration clause is debatable, given the workforce's unwillingness, shown last year, to sanction its use. Less in doubt is the increased flexibility of workers. After the signing of the 1986 Bonas agreement with the Amalgamated Engineering Union, the sole union at the company, employees are expected to inspect their own work more closely, tidy up after themselves and, most importantly, take on new technology jobs which they would have baulked at under the previous agreement.

All of these are becoming increasingly common in British industry. What sets Bonas apart is the pay determination scheme which Bonas introduced on relocation.

Under the scheme, employees are paid lump sums twice a year from a value-added bonus system. The size of the bonus depends on the extent to which the company has grown during the previous year. Value-added is defined as the difference between the value of goods and services sold, less the value of goods and services bought. This is then compared with the previous year to give a percentage rise. After the bonus is paid, only some of the money is consolidated into basic salaries.

Whatever percentage is consolidated, neither it nor the bonuses can exceed productivity growth in percentage terms. Bonas is thus one of the few companies in Britain which can never be accused of concluding deals which harm productivity levels.

That, at least, is the theory. On the shop floor there is considerable doubt that workers would be prepared to forego a rise in wages if the company hit trouble.

In recent guidance to the workforce, the company said that some Japanese companies have value added performances that are "four times better than ours."

It is confident that with the position it has in the market place – it now claims 55 per cent of the market for electronic jacquard machines – there is no prospect of value-added not growing and that, in the meantime, the bonus scheme acts as a powerful motivator of workers.

Mr Harris insists that there would be no pay rises if value added did not grow. "That will be the acid test," he said. "I hope it never comes to that."

Teacher dismissals called 'scare stories'

By Lisa Wood, Labour Staff

REPORTS of teachers being dismissed after changes in the management of state schools were described yesterday as "scare stories" by Mr John MacGregor, the Education Secretary.

Mr MacGregor was speaking at the Secondary Heads Association annual general meeting. Local Management of Schools (LMS), with local education authorities obliged to give schools control of their budgets, came into force in most LEAs this month.

Teachers' unions, including the National Association of Schoolmasters/Union of Women Teachers, have claimed that dozens of teachers have been threatened with redundancy since this occurred.

Mr MacGregor said: "Of course the launch of LMS has been accompanied by well publicised scare stories about teachers being sacked – quite falsely attributing particular cases to the average/actuals issue – and about LEAs' problems in giving schools their budgets on time."

The average/actuals issue involves part of schools' budgets being assessed on average pay scales, along with class size. Unions claim this means schools with small classes and experienced teachers lose out.

Ms Hilary Armstrong, Labour's education spokeswoman, told the conference that the formula for local management of schools was "insensitive and bureaucratic" and was already leading to severe cutbacks in teachers.

She said: "It is already clear that in some schools, senior teachers are to be 'surplus to requirement' because schools simply cannot afford them."

According to the NAS/UTW, Britain's second largest teaching union, teachers in seven counties have been warned they could be out of work as early as September.

Mr Nigel de Gruchy, general secretary-designate of the union, said: "There is increasing evidence that head teachers and chairs of governors are sidling up to individual teachers and announcing that they are to be made redundant. This practice is deplorable and breaches statutory requirements of consultation and proper procedures required under redundancy legislation."

He said that in Nottinghamshire, 32 teachers had been threatened with redundancy and there were similar problems in other counties.

Report urges reforms of ESOPs to help growth

By Diane Summers, Labour Staff

EMPLOYEE Share Ownership Plans (ESOPs) should be reformed to encourage their spread, argues a report published *today* by the Institute for Public Policy Research, the think tank set up to influence Labour and trade union policy.

The report acknowledges that ESOPs have been controversial within the Labour movement, but argues that "those who want to see a long-term shift in the economy towards a greater equality of wealth and influence should welcome ESOPs."

For tax purposes, investment by employees in their own companies should be treated in the same way as contributions to pension funds, the report says in its argument for reform.

To encourage the funding of ESOPs in public companies, excess sums in pension funds should be wholly or partly exempt from tax if they are given to an ESOP as an interest-free loan, IPPR adds.

In addition, the report argues that there should be more flexibility on the timing of distribution of shares and voting rights should be made available to employees before shares are issued or loans paid off.

Trade unions have already co-operated in the establishment of ESOPs on changes of ownership, IPPR points out, but they should also press for the setting up of ESOPs in existing firms.

There are situations where the encouragement of employee ownership may provide a technique for public intervention, such as the provision of venture capital for small firms, the "resocialising of privatised services" and the break-up of monopolies and the rescue of companies in trouble, the report states.

Michael Lindemann writes: An ESOP at Chesterfield Transport, formerly Chesterfield's municipal bus company, means employees own 85 per cent of the new company – the furthest extension of employee ownership yet, according to Mr Malcolm Hurlston, Director of the ESOP Centre.

Employees have subscribed directly to 10 per cent of the shares and a further four per cent have been bought by the Employee Benefit Trust (EBT). The balance of the £2.45m purchase price was financed by loans from the Unity Trust Bank.

A Stake in the Company. Shareholding, Ownership and ESOPs. James Cornford. IPPR, 18 Buckingham Gate, London SW1. (£10, inc. p&p).

TUC warns on ballot code

By Lisa Wood, Labour Staff

LABOUR RELATIONS will be harmed under a new Government code on ballots for industrial action, the TUC has warned.

Union leaders fear that the code, which takes effect on Wednesday, will give employers increased scope to challenge ballot results in the courts.

The Government has said that the code itself imposes no legal obligations but, Mr Michael Howard, the Employment Secretary, has said that "its provisions will be admissible in evidence and are to be taken into account in proceedings before any court where it considers them appropriate."

The TUC, whose warning comes in the latest issue of the TUC Bulletin, said existing union ballots were fair and lawful and that the Government was moving the goalposts in an effort to reduce the 90 per cent success rate for unions in industrial action ballots.

APPOINTMENTS

Lloyds Bank Stockbrokers senior posts

■ Following his appointment as chairman of the International Stock Exchange *settlement services board*, Mr Peter Minchin has become deputy chairman of LLOYDS BANK STOCKBROKERS in addition to his post as deputy chairman of Lloyds Merchant Bank. He is succeeded as managing director of Lloyds Bank Stockbrokers by Mr Robert Froy.

■ CHESTERTON has appointed Mr Giles Ballantine *as chief* executive. He was London regional managing partner.

■ Henderson Investment Services, a subsidiary of HENDERSON ADMINISTRATION GROUP, has appointed Mr James *Robinson to the board as* head of the Far East team. He was a director of Mercury Asset Management.

Dr Peter Fleming *(above)* has been appointed technical director of 3M UNITED KINGDOM, Bracknell, replacing Dr David Sanders who returns to the US as manager, new products department. Dr Fleming was technical director, commercial graphics division, St Paul, Minnesota. He will be in charge of the company's six laboratories in the UK.

■ Mr Richard Chalcraft, joint managing director of *EDMOND* HOLDINGS, has additionally been appointed group chief executive.

■ Mr Martin Taylor, vice chairman of Hanson, has been appointed chairman of the CONFEDERATION OF BRITISH INDUSTRY's companies committee, succeeding Mr Ian Butler, *chairman* of the Cookson Group.

■ SYLTONE, Bradford, has appointed Mr Graham Killarney as executive vice president of its principal US operation, Drum Industries Inc. He was president of B. Elliott Inc, selling UK machine tools in North America.

■ Mr Sax Riley has been appointed a vice chairman *of* SEDGWICK GROUP. He joined the group in 1964, became a director in 1985, and was made chairman of Sedgwick Broking Services on its formation last year.

■ Mr W.W. Burrows has left the *TCC* Group (Swedish Telecom) to head CSI COMMUNICATION SYSTEMS INTERNATIONAL, air traffic control equipment, from today. He spearheaded the sale of International Aeradio (IAL) voice systems to Swedish Telecom in 1986 and was appointed chief executive of the newly-formed Tele Control Communications company. After a year he took over as *director of marketing*, and last year was promoted to group director of strategic planning.

■ LOGICA has appointed Mr Andrew Given to its main board as executive director, planning and finance. He joins from Plessey where he was group finance controller.

PANMURE GORDON INVESTMENT MANAGEMENT, fund managment subsidiary of Panmure Gordon Bankers, has appointed Mr Martin Gordon *(above)* as director, business development and client *liaison; and Mr Keith* Yarwood as fund manager. Mr Gordon joins from Kleinwort Benson, and Mr Yarwood from Legal & General.

LEGAL COLUMN

Profession still bashful about the business of making money

By Robert Rice, Legal Correspondent

EVEN THOUGH law is becoming increasingly "big business" all over the globe it is perhaps a measure of how far law firms still have to go in raising their profile that two unconnected events for the UK profession were allowed to pass virtually unnoticed last week.

There is no easy answer as to why these events were largely ignored by the media. What the particular law firms involved were prepared to say was not very revealing.

Until the profession (or business as it ought now to be called) learns to be more open *about what it is doing and how* it makes its money things are unlikely to change markedly.

Talking about money, in particular, poses a peculiar problem for UK lawyers.

That is because however much some of them might like to to tell the world how well they are doing by publishing, for example, gross fee incomes, fees and costs are regarded very much as a matter of confidentiality between solicitor and client.

That difficulty was much in evidence in the first of last week's events – the announcement by British Coal that it is to privatise its legal services by merging its legal department with commercial solicitors Nabarro Nathanson.

The announcement was picked up by some sections of the press, but largely from the angle of British Coal. Of the other partner in the deal very little was heard.

That was almost certainly because although Nabarro Nathanson offered information about its size, the range of work it does and how the deal would give it an enhanced capacity in environmental and mining law, it was not prepared to say anything about what people really wanted to know.

They wanted to know what the deal was worth. Was the firm going to provide legal services to British Coal at a subsidised rate? If so, for how long, and what did it mean in terms of the firm's overall revenues?

*To be fair to Nabarros, Brit*ish Coal wouldn't talk about such things either, except in terms of the volume of work its legal department has been handling in various areas such as personal injury claims, property transactions and public inquiries etc.

All that is left, therefore, is speculation.

British Coal's legal department has no formal charging structure. Generally it provides services to the corporation and its subsidiaries on a no-charge basis except that time records are kept. Work done for British Coal Pension Funds is charged up on a shared cost basis without a profit element.

Ignoring overheads and after charging up the pension funds' *work the net cost of running* the legal department is put at about £3m a year. Best estimates within the corporation

Estimates within the corporation are that in the private sector this work would cost between three and five times as much

are that to have this work done in the private sector would cost between three and five times as much.

In theory therefore the deal could have been worth up to £15m a year to Nabarros. But, as both sides admitted, that part of the deal had been the negotiation of fee levels for the *various categories of the corpo*ration's legal work. It is almost certain that the deal is worth something less than £15m. The question is how much less?

Mr Jeffrey Greenwood, the firm's senior partner, after much persuading, was prepared to say that the deal would lead to an increase in the firm's gross fee income of somewhere between 10 per cent and 20 per cent.

In an article on the City's law firms last September The Economist estimated Nabarros gross fee income at between £21 and £24m.

However, the firm dismissed that as inaccurate. A more accurate guide is probably provided by the *rule of thumb* that a solicitor needs to bring in roughly three times salary or drawings to make a living – a third for the firm, a third for overheads and a third for him or herself.

If therefore we say Nabarros before the deal had 70 partners earning on average £120,000, *120* assistant solicitors earning on average £45,000 and 115 other fee earners made up roughly of 60 articled clerks earning on average £15,000 and 55 para legals and foreign lawyers earning on average £30,000 we arrive at a total earnings bill of about £16.3m.

If that is multiplied by three according to the rule of thumb the gross fee income of Nabarro Nathanson would be *around* £49m. To be *on the safe* side if we say it is somewhere between £45m and £50m, then the British Coal deal *must* be worth somewhere between £5m-£10m.

The other major professional announcement last week was that City solicitors Norton *Rose have* decided *to join* forces with the M5 group of provincial law firms to form the first truly national law group for England and Wales.

That ought to have been a significant announcement. The group of seven law firms will have 261 partners, 548 assistant solicitors, 176 articled clerks and 119 para legals making it the largest legal organisation in the UK with a total of 1,104 fee earners. Compare that with the UK's largest single law firm Clifford Chance with 985 fee earners comprising 195 *partners, 577 assistant* solicitors, 206 articled clerks and 7 para legals.

Sir Patrick Lawrence, senior partner of Wragge & Co, the Birmingham member of the group, described the deal as having "all the benefits of a merger with none of the obvious disadvantages."

It is not immediately obvious that the group has any of the benefits of merger let alone all of them. There seems little point for example in making a big issue of the size of the group if the constituent members intend to continue to practise in separate independent units.

The group does not therefore have *the benefit of size that a* merger would bring.

Again, M5 has been around for 10 years. Yet if you were to ask the average businessman "what is M5?" it is a fair bet he would say it was a motorway.

It is arguable that another benefit a merger would have offered the group is a significantly *higher national profile.*

That is not to say that there are no benefits in the group arrangement. Clearly the member firms have benefited from pooling their resources in the recruitment and training of lawyers.

There is the potential advantage of knowing each other sufficiently well and having the initial structures in place to be able to merge very quickly – if *the* need *should* arise to combat the growth of national multi-disciplinary partnerships led, for example, by large accountancy firms.

For the existing provincial members there is the clear advantage of being associated with one of the UK's top 10 *commercial law firms.*

But what is in it for Norton Rose? Mr Tony Kay, Norton Rose's managing partner, says they will be able to attract a greater number of the better lawyers to work for them. For certain clients, he adds, it will be a great advantage to have more than one firm working for them both on a general basis and on particular problems. Perhaps!

If there are any obvious advantages in the deal they come in the international context. The group is uniquely placed *within* the UK *to* give comprehensive on-the-spot advice to foreign inward direct investors.

For the existing members of the group there is also the immediate advantage of access to Norton Rose's overseas offices in Hong Kong, Singapore and Bahrain and the office to be opened in Brussels in May.

The Brussels office in particular will give the group's existing members a toehold in Europe they might not other wise have had in the immediate future.

For Norton Rose the extra work that group members will generate for its Brussels office *may make all the difference* between being there for the sake of being seen to be there and being there for sound commercial reasons.

MANAGEMENT

Joint ventures

UB realises a dream by biting at bureaucracy

John Elliott explains how the UK biscuit maker set up a Chinese operation

Sir Hector Laing, chairman of United Biscuits, has long held a dream that everyone in China should be able to buy a McVitie's digestive biscuit. In more practical terms, he told his executives in the early 1980s that China was "one of the world's unexploited markets and we ought to be there."

Many companies have shared such ambitions and have seen their ideas thwarted by China's politics, bureaucracy or economic setbacks. On Wednesday, however, just before he retires, Sir Hector should begin to realise his dream; he is due formally to open a joint venture biscuit factory at Shekou in the south China special economic zone of Shenzhen, one hour's hovercraft ride from Hong Kong.

The opening marks an unusual success story in the management of joint ventures in China, although Sir Hector will find levels of efficiency, hygiene, and cleanliness that he would not normally accept. "It's a problem of the work ethic. The people are very cavalier about hygiene, cleanliness and quality control," says Chris Strachan, managing director of UB Far East.

Strachan explains that the quality is basically up to company norms – though it will take two years or more for the joint venture to be sure of full UB standards of efficiency. The problems are, however, the price that UB is willing to pay for establishing the factory in a record 16 months from signing the agreement to the start of production last September.

Special factors dictate why this project, built on land reclaimed from oyster beds, can be rated a success story at a time when good industrial news in China is hard to come by. First, UB's partners are an energetic Hong Kong trader with good connections, and a Chinese fishing village called Hai Wan recently made cash-rich by industrial development.

Second, UB has avoided common foreign exchange and export quota problems by acquiring an instant customer base in Hong Kong where it has bought out the Mar biscuit-making family with 18 per cent of the colony's market. It has moved production of Mar's savoury Pacific brands to the new Shekou factory. This is now meeting China's export quotas with Pacific sales back to Hong Kong which also provides it with ample foreign exchange to pay for imported raw materials.

The Mar family, who are Chinese, have been bakers for generations, first in China, and then in Hong Kong to where they emigrated 40 years ago. But, having sold their valuable old factory site for property development, the family is joining Hong Kong's 55,000-plus a year brain drain well ahead of 1997 when China regains sovereignty, and are going to Canada and New Zealand where relatives are already prospering.

The arrival of UB to take over and develop their business illustrates a trend which is developing ahead of 1997. As local Chinese flee with their relatives and capital from the prospect of Peking's Communist rule, overseas companies are continuing to move in because Hong Kong, and the adjacent mainland coastal region, will remain the best gateway to China way beyond 1997.

But such companies need to be prepared to face a long haul. "This is an investment for the future," says Strachan. "Sir Hector said we should make an investment provided that the venture was not a continuing drain on cash resources and provided that standards were OK, but that we would have to leave it for the next generation of managers to reap the benefits."

UB started looking for a joint venture in China in 1984, initially with the Swire Group, one of Hong Kong's old trading hongs. It also became associated with research on the feeding of rusks to improve Chinese children's deficient diets. In 1986 it linked up with ABV Baker of the UK in a £7m technology transfer agreement for Peking's Ministry of Commerce. APV is providing machinery and UB is providing technology and training for five rusk plants around the country. After years of tortuous hassles, the first two plants are now being commissioned in Shaanxi and Jiangsu provinces.

In 1986 UB opened a Hong Kong office to spearhead expansion in Asia, especially China, but also including a soon-to-be-expanded joint venture in the Philippines. By 1987 talks had started with two existing biscuit-making companies in Guangdong, the province adjacent to Hong Kong that includes Shekou. Both carried what some managers call the "historical baggage" of low quality and hygiene standards, poor work ethics and excessive over-manning with labour forces three times as large as UB required.

Talks, and plans for test production runs, were not successful and the ideas lapsed.

Then UB found Terence Yu, a Hong Kong entrepreneur whose family came from Shanghai in 1950. Previously a marketing manager with the Swire group, Yu had started trading in chemicals with China when its open door policy started in 1979 and later began joint ventures in Shekou.

Now his Advanced Chemicals company has brought undreamed-of wealth to the 200 previously poor fishing families of Hai Wan village where, alongside the UB site, he has an older factory employing 1,450 people in three shifts. Some produce traditional detergents for China. Others assemble audio and video cassettes for Swire Magnetics in an operation which is typical of countless ventures in Guangdong where Hong Kong and other companies use cheap Chinese labour and land in processing operations.


UB's Shekhou factory will take two years to achieve full efficiency

Hai Wan lies on the edge of the Shekou industrial area developed within the Shenzhen special economic zone as a private sector venture by Peking-controlled, Hong Kong-based, China Merchants. It is considerably better serviced than most other joint venture locations in China. "Everything works here in Shekou – the water, electricity, banking and the port," says Strachan.

In June 1988, UB signed a 30-year joint venture agreement (with renewal rights), taking a 60 per cent stake. Yu's Advanced Chemicals has 30 per cent and Hai Wan village 10 per cent. The capital cost was limited to $10m (including housing for 300 employees in small flats) to avoid having to go to Peking for lengthy approvals.

Local authority clearances were obtained in six weeks and the building structure was completed on newly reclaimed, piled land by last June – which meant the project was far too far advanced to be stopped by any UB worries following that month's Tiananmen Square crisis in Peking. Plant included a new 60-metre long APV oven, and second-hand equipment from UB in the UK and Pacific in Hong Kong.

Speed was the primary target and, in order to keep the project moving, UB accepted various unnecessary and frustrating local requirements. These included installing dirt and fly-attracting windows, some glazed tiling, and false ceilings in a creaming room that attract insects, all of which UB considered to be unhygienic. It was also not allowed to store packing cases alongside packing lines, and had to create an unnecessary special "germ free" room. "We felt we would never have won these arguments, so it was sensible to give way," says Strachan.

All the partners, including the village, put up funds in Hong Kong dollars which circulate openly in the area. Grey-market swap shops were used by Yu to turn them into China's Renminbi currency at favourable rates for local purchases.

China requires that at least half the factory's production should be exported, though this can drop proportionately with increased use of local raw materials. About 60 per cent (by value) of raw materials are now being imported, including all edible oils, because of poor local quality. The import target for three years' time is 15 per cent, if adequate edible oil becomes available in China.

At present 60-70 per cent of production of approaching 100 tonnes a week is needed for Hong Kong under Pacific's label, which UB intends to maintain. Sales in China, starting with Pacific crackers and other savoury biscuits, will begin under UB's McVitie label within the next few weeks. UB has already been softening up potential Chinese customers with 20 per cent price subsidies and last year sold 30,000 24-pack cases of biscuits, mostly digestives, 80 per cent of them to the province of Guangdong around Shekou and Shenzhen.

A second production line next year will double output to 12,000 tonnes annually, including 3,500 tonnes to Hong Kong and some exports to South East Asia and possibly other centres like San Francisco and Vancouver where there are big Chinese communities. Next year, McVitie's own soft dough brands, such as shortbread biscuits, will also probably be started, and there are also plans to produce snack foods such as potato crisps and extruded corn snacks using UB's KP technology in a factory extension on an adjacent plot.

The target is to break even by the end of this year and then by 1994 to achieve 3 to 4 per cent of China's biscuit market, which was estimated by consultants three years ago to be 500,000 tonnes annually.

China's current economic problems have brought down biscuit prices by about 15 per cent in the past six months and have also led to a scarcity of working capital because local banks have little or no money. This has compounded problems caused by the absence of any established system for raising working capital. The flow of Hong Kong dollars from Pacific sales has, however, provided the necessary funds through Bank of China deposits.

The country's political upheavals have also made some officials less willing to help solve problems. Longer term, UB believes it should escape slumps in demand faced by other consumer industries because biscuits are a basic food in China.

"We also have a good insurance with the Pacific brand sales to Hong Kong, because if the Chinese economy collapsed, we could still just about survive for a time in Shekou with a self-sufficient operation by cutting costs and selling to Hong Kong and other export markets," says Strachan.

The main current problem remains the achievement of UB standards of efficiency, hygiene and quality, even though the factory is already well above other Chinese biscuit plants where rats are sometime seen in production areas. That day-to-day problem has been handed to Eddie Howarth, an engineer who installed the machinery and is now the consultant in charge of production. He has replaced a steady stream of UB experts and advisers from Britain who caused confusion by giving the workers conflicting messages.

What is his worst problem? "The people here feel they must be seen to be running the machine and doing things. Every time the shift changes, the men come on and start fiddling with the control nobs on the ovens and that upsets standards."

An example must be set from the top

Christina Lamb reports on coaching

Strangling is not usually part of staff training. It is, however, included in the latest film by Video Arts, the UK training video company formed by four men including comedian John Cleese in 1972, and recently bought out by its management for around £50m.

The new video, "The Helping Hand", challenges the concept of management as hierarchical and authoritarian. Instead, it suggests that the manager's role is that of a co-ordinator, looking to the future and aiming to get the best from his team.

Just as tennis coaches work on two levels – performing the task and developing others' confidence to perform well – the idea of coaching in business is that when subordinates are given hands-on experience and encouragement in new responsibilities, they acquire new abilities; the gaps in their performance are bridged without disrupting the handling of the department's tasks or affecting its targets. As staff become more competent, the manager is freed to do more managing.

In The Helping Hand, Geoffrey, the hapless manager, is resistant to change. He argues that if the coaching works, "People will say, 'Look at that useless prat. He's not absolutely invaluable. His department runs without him!'" An exasperated Cleese, in the role of presenter guiding the manager, grabs him by the collar and screams: "But that's the greatest compliment they can pay you as a manager. Anybody clever enough to build a machine that runs itself is to be envied!"

Persuading a manager why he should coach is the hardest obstacle. Geoffrey's protests touch a raw nerve when he argues that his own position could be threatened if responsibility and accountability is pushed further down the hierarchy.

Cleese, in his real life role as a successful businessman, says: "Unfortunately, in the UK when companies make cuts the first thing to go is training. On-the-job coaching to encourage staff development is thus vital. It is a short-term investment for a long-term gain."

The second part of the video deals with methods of coaching. After agreeing a task, the employee and manager identify milestones en route, rather like the tennis player who sets himself the challenge of improving his serve through the specific goal of getting two thirds of his serves in by the end of the month.

Geoffrey, having overcome his reluctance to train, spoils it all with his spoon-feeding approach; he ends up by saying: "Don't worry, I'll have to do it properly later, anyway."

Finally, though, persuaded to adopt a questioning approach and to "listen actively...as an act of generosity," he allows the woman he is coaching to learn through her own mistakes. Geoffrey finds she comes up with new ideas.

But middle managers cannot adopt a new approach which initially may delay tasks without approval from superiors. And Cleese admits a problem with his videos is that the films are always ordered by one level of management for those below and that The Helping Hand needs to reach the top really to hit home.

Pragmatic

Cleese maintains that there "is far too much of people at the top passing down information to people with no explanation. It is up to the pragmatic world of business, which has lost out to more individualistic European competitors, to seize on an idea which is going to work and show the way forward."

Cleese suggests that "if we can get someone to laugh at a bit of bad management then the chance is it will flash into their mind – 'hang on, I do that'."

Video Arts is now hoping to spread its message in Eastern Europe. It has just entered into a joint venture in Yugoslavia and has recently given a presentation to the Soviet Government.

It has not, though, yet overcome the problem of obtaining hard currency, instead being offered barter goods. Even a man of Cleese's imagination is hard put to suggest a use for 200 tons of marble powder or a sackload of silk sutures.

"The Helping Hand" is available at £735 from VideoArts, 68 Oxford Street, London W1.

LEGAL NOTICES

No. 002290 of 1990
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR REGISTRAR BUCKLEY

IN THE MATTER OF PARINGA MINING AND EXPLORATIN COMPANY, P.L.C.

- and -

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that by an Order dated 29th March 1990 the Court has directed a Meeting of the holders of the fully paid Ordinary Shares of 5 pence each in the capital of the above named Paringa Mining and Exploration Company, P.L.C. ("the Company") (other than those registered in the name of ACM Mines Limited) ("the Scheme Shares") to be convened for the purpose of considering and if thought fit approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and the holders of such shares and that such Meeting will be held at Southern Cross Hotel, 131 Exhibition Street, Melbourne, Victoria, Australia on Monday 7th May 1990 at 12.00 noon (Australian Eastern standard time) at which place and time all such shareholders are requested to attend.

Any person entitled to attend the said Meeting can obtain copies of the said Scheme of Arrangement, Form of Proxy and copies of the Statement required to be furnished pursuant to Section 426 of the above mentioned Act form either Registry Managers (Australia) Pty Limited, situate at 8th Floor, National Mutual Centre, 111 St George's Terrace, Perth, Australia or from City Gate Registrars Limited, Trident House, 77 Manchester Road, Bolton BL2 1ES, England during usual business hours on any day (other than a Saturday or Sunday) prior to the day appointed for the said Meeting.

The said shareholders may vote in person at the said Meeting or they may appoint another person whether a Member of the Company or not as their proxy to attend and vote in their stead.

It is request that forms appointing proxies be lodged with either Registry Managers (Australia) Pty Limited, situate at 8th Floor, National Mutual Centre, 111 St George's Terrace, Perth, Australia or City Gate Registrars Limited, Trident House, 77 Manchester Road, Bolton BL2 1ES, England not less than 48 hours before the time appointed for the Meeting, but if forms are not so lodged they may be handed to the Chairman at the Meeting.

In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders, and for this accepted tot he exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Register of Members or Overseas Branch Register of the Company.

By the said Order the Court has appointed Mr Donald Rees Magarey or failing him Mr Mark Roderick Granger Johnson to act as Chairman of the said Meeting and has directed the Chairman to report the result thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated this 2nd day of April 1990

Clifford Chance
Royex House
Aldermanbury Square
London EC2V 7LD
England

Solicitors for the above named Company

Flash Group Limited
City Flash Limited
Masterchange Limited
The Newbold Wells Company Limited
Copelands Baseboard Limited
The Newbold Wells Organisation Limited
Newbold Wells Overseas Limited

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that meetings of the unsecured creditors of the above named companies will be held at:- Shelley House, 3 Noble Street, London EC2V 7DQ on 27 April 1990 at 11.30 am for the purpose of having laid before them a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meetings may, if they think fit, establish committees to exercise the functions conferred on creditors'committees by or under the Act.

Creditors are only entitled to vote if:-

(a) they have delivered to us at the address shown below, no later than noon on 26 April 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with us any proxy which the creditors intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including faxed copies) are not acceptable.

Date 30 March 1990
C J Hughes & J M Thompson
Joint Administrative Receivers

Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

Note: Creditors may obtain a copy of the report, free of charge, on application to the administrative receivers at the address shown above.

FLASHLABS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at:- Abacus Court, 6 Minshull Street, Manchester on 1 May 1990 at 11.30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:-

(a) they have delivered to us at the address shown below, no later than noon on 30 April 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with us any proxy which the creditors intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including faxed copies) are not acceptable.

Date: 30 March 1990
C J HUGHES & J M THOMPSON
Joint Administrative Receivers

Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

Note
Creditors may obtain a copy to the report, free of charge, on application to the administrative receivers at the address shown above.

No. 001626 of 1990
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF KUNICK PLC
AND
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 4th April 1990 sanctioning the cancellation of the amount of £23,000,000 standing to the credit of the Share Premium Account of the above-named Company was registered by the Registrar of Comapnies on 5th April 1990.

Dated this 9th April 1990

Herbert Smith
Watling House
35 Cannon Street
London EC4M 5SD

Ref: 42/C159

Solicitors for the above-named Company

PUBLIC NOTICES

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

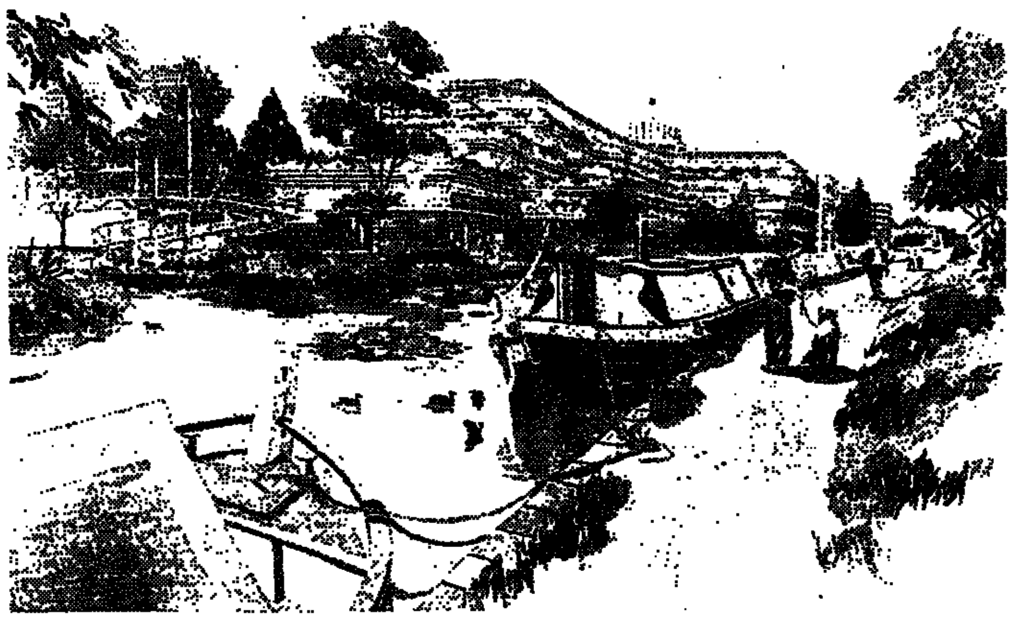
Notice is hereby given that the ANNUAL GENERAL MEETING of the Society will be held in the SOCIETY'S HEAD OFFICE No. 28 ST. ANDREW SQUARE, EDINBURGH on Thursday, 19th April 1990 at 12.30 p.m. to consider the Accounts and Balance Sheet and Reports of the Directors and the Auditor, to elect Directors, to determine the remuneration to be paid to the Directors and the re-appointment of the Auditor.

A member of the Society entitled to attend and vote at any Annual General Meeting is entitled to appoint another person to attend and vote instead of him. Proxies must be lodged at the Society's Head Office not less than forty-eight hours before the time for holding the Meeting.

By Order of the Board
D.A. BERRIDGE
28 St. Andrew Square EDINBURGH
Chief Executive

CONSTRUCTION CONTRACTS

Offices overlook Grand Union



LOVELL CONSTRUCTION has been awarded two contracts worth more than £23m. At Uxbridge the company is to build a four-storey office block *(pictured)* with split-level basement at The Quays, under a contract worth £12.6m. The developers are the Burton Property Trust and the site is next to the Grand Union Canal. The building will provide 105,000 sq ft of air-conditioned accommodation. The company also has a contract worth over £11m to build an office and residential development for Great Portland Estates. Situated in London's Drury Lane, the project adjoins Drury Lane Gardens and is within the Covent Garden conservation area. Designed to meet the new thermal regulations, the scheme will provide 40,000 sq ft offices in five storeys, and 22 flats in a six-storey block.

US orders for Bovis company

The Bovis Construction Group's US subsidiary LEHRER McGOVERN BOVIS has been awarded management contracts on 21 projects worth US$427m (£260m). LMB companies have also secured consultancy fees of $423,000 (£259,509) on a further 11 projects around the US.

In Florida, LMB has been selected as pre-construction manager for Disney's Boardwalk Entertainments Centre, a retail and leisure development covering 44 acres. It includes 75 small stores, two night clubs, four restaurants, a roller coaster and a ferris wheel.

At JFK airport, New York, LMB will manage the construction of Japan Airlines' new facilities which combines renovation of the company's hanger and new building work. The fast-track programme will be in completed in September 1992.

In California, the company is to manage the building of Jungleland, a mixed use multi-media building development on a 24 acre site for City of a Thousand Oaks.

LMB is involved in a joint venture in Houston with Turner Collie & Braden to renovate 41 school sites including additions to schools at eight sites.

In Cleveland, Ohio, Target, LMB's specialist interiors and shopfitting contractor, is to complete a refurbishment of the Brooks Brothers store, which is owned by Marks & Spencer.

BULLOCK CONSTRUCTION, a Lovell Group company, has been awarded contracts worth £7.9m. The orders cover a wide range of work at ICI's Cheshire sites at Alderley Park and Macclesfield, at Huddersfield, Yorkshire, and at Blackley, Manchester. ICI will be responsible for the project management, design and mechanical & engineering services.

£36m orders won by Tilbury Group

TILBURY GROUP has secured contracts worth nearly £36m.

Tilbury Construction orders include 55 flats for Plymouth City Council (£2.56m), high technology offices at Salford Quay, Manchester (£2.03m), a primary school at Tower Hamlets (£1.84m), improvements to pre-war flats at Lambeth (£1.56m) and a superbowl leisure complex at Aintree, Liverpool (£1.13m).

The civils division orders include a bridge for British Rail at Leytonstone (£2m), refurbishment and additional maintenance sheds for British Rail at Slade Green (£2.32m), Avebury Boulevard at Milton Keynes (£1.42m) and remedial work at Windsor Wharf (£786,000).

U.K.C. has secured £7.25m orders, including £4.6m for the extension to the "THORP" project at Sellafield, Cumbria, for British Nuclear Fuels and £1.25m contracts from BP Chemicals in Saltend Humberside and Baglan Bay.

Westpile has secured £4.76m business. This includes contracts from Castle Cement; Docklands Light Railway; Sir Alfred McAlpine; Shell UK; CCL Developments in Cardiff; Charter Group Properties; and Tesco.

Westpile (Malaysia) has secured a £1.2m contract to supply concrete piles for the ICI plant in Kemaman, Malaysia.

Whittle has secured £1.4m contracts. The largest (£721,000) is for fitting out eight cars for the Royal Scotsman - a luxury touring train. Two further contracts in the Republic of Ireland are worth £162,000.

Rebuilding shops in Princes Street

Work on rebuilding a fire damaged property in one of the world's most famous streets is included in contracts worth about £8m awarded to TARMAC CONSTRUCTION.

The company has a £1.7m contract for a project in Princes Street, Edinburgh, which involves demolishing a building but retaining its sandstone facade.

Behind the facade there will be a new five-storey building, including a basement, and incorporating two shops.

Work on the project, for the Confederation Life Insurance Company, is due for completion in about a year.

Tarmac Refurb, the refurbishment specialist company, has a £1.1m contract for demolition work and designing, extending and refurbishing a factory in Aston, Birmingham, for Fazeley Developments.

Projects awarded to the contract housing division include a £3.3m contract for modernising homes on the Prospect Estate, Farnborough, Hampshire, for Rushmoor Borough Council.

The division also has a £385,000 contract for replacing windows in homes at Kings Norton for Birmingham City Council.

DIARY DATES

FINANCIAL

TODAY

COMPANY MEETINGS-
INOCO, Chesterfield Hotel, 35 Charles Street, W., 10.30
TR Pacific Investment Trust, Mermaid House, 2 Puddle Dock, E.C., 12.45
USDC Investment Trust, 8 Devonshire Square, E.C., 3.00

BOARD MEETINGS-
Finals:
Asda Property
Baillie Gifford Technology
Black (A. & C.)
Dewhirst
Fortnum & Mason
Helene
ISA International
Ibstock Johnsen
Lamont Hldgs.
Micro Focus
Morgan Crucible
Mowlem (John)
Portals
Quarto
Richards Group
Roskell
Severfield-Reeve
United Friendly Insurance
Whittington
Interims:
Highland Distilleries

DIVIDEND & INTEREST PAYMENTS-
Aaronson Bros. 1.7p
Acatos & Hutcheson 3.6p
Berisford Intl. 4.4p
Bradford & Bingley Bldg. Society Fltg. Rate Nts. 1996 £380.21
British Assets Trust 0.925p
British Kidney Patient 8.6p
Buckingham Intl. 1.5p
Burndene Invs. 5.5p
Domino Printing Services 2.5p
EFT 0.7p
First Leisure 2.535p
Grand Metropolitan 11p
Holmes & Marchant 4.5p
Kleinwort Charter Inv. 3.175p
Menvier-Swain 2.1p
Practical Inv. 1p
Sandell 2.7p
Stainless Metalcraft 1p
TACE 7.75p
Trace Computers 0.55p

TOMORROW

COMPANY MEETINGS-
BICC, 103 New Oxford Street, W.C., 12.00
Kleinwort Overseas Investment Trust, 10 Fenchurch Street, E.C., 12.30
Persimmon, Royal York Hotel, York, 11.30
Provident Financial, Norfolk Gardens Hotel, Bradford, W.Yorks., 11.30
St. Andrew Trust, 29 Charlotte Square, Edinburgh, 12.30

BOARD MEETINGS-
Finals:
Alexandra Workwear
Boosey & Hawkes
Britannia Security
Celestion Industries
Dagenham Motors
Davis (Godfrey)
Durham (D.G.)
Erith
FBD Hldgs.
Foseco
Lawrence (Walter)
Martin (Albert)
Next
RMC
Savoy Hotel
Seafield
Sherwood Computer Services
Stylo
TVS Entertainment
Taylor Woodrow
Tesco
Wace
Interims:
Dowding & Mills
Lloyds Chemists
Silentnight
WCRS
Wardle Storeys

DIVIDEND & INTEREST PAYMENTS-
Britannia Bldg. Society Fltg. Rate Nts. 1993 £376.03
Eurotherm Intl. 4.55p
Grahams Rintoul Inv. 1.5p
Heath (Samuel) 1.5p
Morris (Philip) 34.375cts
Nationwide Anglia Bldg. Society Fltg. Rate Nts. 1995 £187.24
Prior 2.5p
Scottish Eastern Inv. 6¼% Deb. 85/90 3.125pc.

WEDNESDAY APRIL 11

COMPANY MEETINGS-
Foreign & Colonial Investment Trust, Skinners Hall, 8 Dowgate Hill, E.C., 12.00
Lancashire & London Investment Trust, Great Eastern Hotel, Liverpool Street, E.C., 12.00
Porvair, New Connaught Rooms, Great Queen Street, W.C., 12.00

BOARD MEETINGS-
Finals:
AMEC
Amer
Anglo American Inv. Trust
Barr & Wallace Arnold Trust
Bentalls
Brixton Estates
Cannon Street Investments
Caparo Industries
Connell
Costain
Hewden-Stuart
Higgs & Hill
Kwik-Fit
MB
Mustenlin
Nurdin & Peacock
Parambe
Proudfoot (Alexander)
Sindall (William)
Systems Reliability
Tie Rack
Tudor
Waterford Foods
Interims:
New Central Witwatersrand Area
Smiths Industries

DIVIDEND & INTEREST PAYMENTS-
Adscene 2p
Conversion 9¾% Stk 2003 4.875pc.
Hewlett-Packard 10.5cts
Islington 12.65% 2007 6.325pc.
Lancashire & London Inv. 1.9p
Marine Midland Fin NV Fltg. Rate Nts. 1994 $21.25
National Australia Bank Und. Sub. Fltg. Rate Nts. $458.42
Stakis 1.6p
Wickes 3p

THURSDAY APRIL 12

COMPANY MEETINGS-
English & Scottish Investors, Gartmore House, 16-18 Monument Street, E.C., 3.30
Fairway (London), 30 Queen Anne's Gate, S.W., 10.00
Lowe Group, Roldane Mills, Congleton, 10.00
Metal Bulletin, 76 Shoe Lane, E.C., 12.00
Wyevale Garden Centres, Kings Acre, Hereford, 10.30

BOARD MEETINGS-
Finals:
Chepstow Racecourse
Eglinton Exploration
F & C Pacific Inv. Trust
Malaya
Toye
Interims:
TR Far East Income Trust
VTR

DIVIDEND & INTEREST PAYMENTS-
Amstrad 0.4p
Bradford & Bingley Bldg. Society Fltg. Rate Nts. 1998 £375.03
Brierley Invs. 5cts
Cantors 1p
Do. "A" NV 1p
Foreign & Colonial Inv. 1.8p
Heywood Williams 8p
International Colour Management 0.5p
Liberty Life Assocn. of Africa 378cts
Do. Pfd. Ord. 343cts
RBC Intl. Capital Fund 7cts
St. Andrew Trust 4.08p
Tomkins 2.7p
Yorkshire Chemicals 6.5p

FRIDAY APRIL 13

DIVIDEND & INTEREST PAYMENTS-
Royal Trust Gvt. Securities Fund 2.25p
Treasury 8% Ln. 1992 4pc.
Do. 9% Ln. 2008 4.5pc.
Vektra 20cts

SATURDAY APRIL 14

DIVIDEND & INTEREST PAYMENTS-
Australia (Commonwealth of) 9½% Ln. 2012 4.75pc.
Warner Estate 10¾% Prf. 5.375pc.

SUNDAY APRIL 15

DIVIDEND & INTEREST PAYMENTS-
American Brands 6.25cts
BCE 69cts
Eldridge, Pope & Co. 6¼% Irrd. Uns. Ln. 3.125pc.
Do. 7½% Irrd. Uns. Ln. 3.75pc.
Federated Housing 9½% Prf. 4.75p
Finland (Republic of) 11½% Ln. 2009 5.75pc.
Goode Durrant 3.5% Prf. 0.875p
Govett Strategic Inv. 9⅞% Deb. 2017 4.9375pc.
Norcros 15¾% Deb. 90/95 7.875pc.
Occidental Petroleum 62.5cts
Pacific Gas & Electric 38cts
Richards 4% Prf. 1.4p
Do. 5½% Prf. 1.44375pc.
Treasury 10% Ln. 1993 5pc.
Watney, Mann & Truman 6% Deb. 89/94 3pc.
Wereldhave Property 9.5% 1st Mtg. Deb. 2015 4.75pc.
Do. 10.75% 1st Mtg. Deb. 2015 5.375pc.

Trade fairs and exhibitions: UK

Current
International Festival of Science & Technology (031-228 4756) (until April 16)
Edinburgh

April 9-11
Cable and Satellite Exhibition (01-486 1951)
Olympia

April 12-20
International Boat Show (0752 60058)
Bristol

April 19-21
Money Show (0224 210122)
Aberdeen

April 22-23
British Pet Industry Exhibition (0233 621877)
NEC, Birmingham

April 22-25
Visual & Audio International Exhibition (01-660 8008)
Earls Court

April 24-26
British Electronics Week (0799 26699)
Olympia

April 24-27
Which Computer Show (01-948 9900)
NEC, Birmingham

April 29-May 1
International Confectionery Exhibition (01-252 2885)
Olympia

Overseas exhibitions

April 9-11
Eurofreight Exhibition and Conference (01-642 7688)
Brussels

April 17-20
International Gifts and Houseware Fair (01-828 1661)
Hong Kong

April 18-21
International Electronic Packaging Show – INTERNEPCON CHINA (01-940 3777)
Beijing

April 23-28
Data Processing, Office Equipment, Telematics, Communications and Software Exhibition – SICOB (01-997 3474)
Paris

April 24-26
International Clothing Textiles Trade Fair – INTERSTOFF (01-734 0543)
Frankfurt

May 1-4
International Leather Processing and Machinery Exhibition – KORLEATHER (01-236 2399)
Seoul

May 2-8
Hanover Fair – INDUSTRY (01-668 9541)
Hanover

May 4-8
International Woodworking Machinery Trade Fair – DREMA (0223 233952)
Poznan

Business and management conferences

April 9-13
Management Centre Europe: Competitive marketing strategies (Brussels 32 2 516 19 11)
Brussels

April 10
BDPA: The Food Bill, Food Hygiene and Catering Disposables (01- 437 0678)
London

April 18-20
BIS CAP International: European ink jet printing conference – Growth prospects in the 1990s (Amsterdam 31-20-26-88-66)
Amsterdam

April 18-19
National Economic Development Office: Go public! – a conference for European Community buyers and suppliers to discuss the opening up of the public sector market place in the 1990s (01-217 4056)
Queen Elizabeth II Conference Centre, London

April 19
Tolley Conferences: What every pension fund trustee should know (01-680 5682)
London Press Centre

April 19
The Institute of Economic Affairs: Wider ownership – the next steps (01-799 3745)
Queen Elizabeth II Conference Centre, London

April 21-27
Montreux Symposium for Direct Marketing Communication (Switzerland 41-1-391-20-00)
Montreux

April 23-24
Financial Times Conferences: Industry and the Environment (01-925 2323)
Hotel Inter-Continental, London

April 24
Adam Smith Institute/European Express Organisation: Delivering British goods and services to the Continent: The choices for 1992 (01-799 9811)
Queen Elizabeth Conference II Centre

April 25
Chartrac Conferences: Going republic (0908 668833)
CFS Conference Centre, London

April 25-26
Acquisitions Monthly: How to buy a company (0892 515454)
London Press Centre

April 30
The Energy Business Centre: The defence and offshore oil and gas industries – opportunities for business and technology co-operation (04884 412)
Royal Overseas League, London

May 3
CBI Conferences: The Visual Connection (01-379 7400)
Centre Point, London

May 3
Tolley Conferences: The Law and Practice of Bids and Mergers (01-680 5682)
London Press Centre

May 9-11
ESOMAR: Countdown to 1992: Which issues at stake? Which strategies in the Single Market? Which needs in research and consultancy? (Amsterdam +31-20-664-2141)
Brussels

May 14-15
Insurance and Reinsurance Research Group: Reinsurance accounting (01-236 2175)
Kensington Close Hotel, London

May 15-16
Enterprise Events: Finance 90 – New directions for challenging times (01-840 2244)
Olympia 2

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
In re
LOMAS FINANCIAL CORPORATION, et al.,
Debtors.

In Proceedings For A Reorganization Under Chapter 11
Case Nos. 89 B 12471 Through 89 B 12478 Inclusive (BRL)

NOTICE OF HEARING TO CONSIDER APPROVAL OF PURCHASE AGREEMENT WITH GENERAL ELECTRIC CAPITAL CORPORATION FOR SALE OF ELLCO LEASING CORPORATION

TO ALL CREDITORS OF LOMAS FINANCIAL CORPORATION, ET AL. AND OTHER PARTIES IN INTEREST HEREIN:

PLEASE TAKE NOTICE that on April 19, 1990, in Courtroom 623 of the United States Courthouse, The Old Custom House, One Bowling Green, New York, New York 10004-1408 at 2:00 o'clock in the afternoon of that day, a hearing will be held (the "Hearing") before the Honorable Burton R. Lifland, United States Bankruptcy Judge, to consider upon the application of Lomas Financial Corporation ("Lomas"), for and on behalf of itself and the other debtors and debtors-in-possession herein (the "Debtors"), dated March 30, 1990 (the "Application"), the entry of an order:

(a) Authorizing Lomas, pursuant to 11 U.S.C. Sections 363(b) and (f), to sell all of the issued and outstanding shares of common stock (the "ELLCO Stock") of ELLCO Leasing Corporation ("ELLCO") free and clear of all interests therin of entities *other than the Debtors to either:*
(i) the Purchaser, pursuant to the terms and conditions of the purchase agreement between Lomas and General Electric Capital Corporation (the "Purchaser") dated as of March 30, 1990 (the "Purchase Agreement"), a copy of which is annexed to the Application as Exhibit A, or

(ii) to any other third party found by the Court to have made a higher and better offer (a "Competitive Bid") than that made by the Purchaser, for the Purchase of the ELLCO Stock;

(b) Approving the Purchase Agreement (or any other Purchase Agreement) proposed in connection with a Competitive Bid) in its entirety and all of its terms, and authorizing the performance thereof by Lomas and its affiliates;

(c) Authorizing the Debtors to pay out of the proceeds of the sale of the ELLCO Stock the following fees and expenses: (i) to Lazard Freres & Co. ("Lazard") an amount equal to 1-½% of the consideration received; (ii) all transfer taxes, documentary taxes, withholding taxes, assessments or other charges made by any governmental authority in connection with the sale of the ELLCO Stock; (iii) all other reasonable and necessary costs and expenses incurred in connection with the sale of the ELLCO Stock, including the fees of, and expenses incurred by, any professional person or attorney retained by the Debtors, subject to application to the Court as required; and (iv) amounts necessary to settle intercompany accounts between ELLCO and Lomas;

(d) Authorizing the Debtors to deposit $10 million in cash into a general escrow account and $10 million in cash into a tax escrow account, supporting and securing the obligations of Lomas, Lomas Mortgage USA, Inc., Lomas Management, Inc. and Lomas Administrative Services, Inc. under the Purchase Agreement;

(e) Authorizing the Debtors to pledge short term investments purchased with $25 million of the proceeds of the sale of the ELLCO STock to Lomas Mortgage to secure Lomas' Indemnification obligations to it pursuant to the indemnification and pledge agreement between Lomas and Lomas Mortgage substantially in the form of Exhibit C to the Application;

(f) Authorizing the Debtors to pay the remaining net proceeds into a separate operating account used by the Debtors in the ordinary course of business subject to the order and the Amended Order Authorizing the Debtors to Continue Consolidated Cash Management System, signed by the Court September 24, 1989 and November 28, 1989, respectively, or invested subject to the Order Approving Investment Guidelines, signed by the Court September 24, 1989, provided that in each case such proceeds shall be used in the Debtor's business solely in the event that other cash resources (exclusive of borrowings) are not available at the time of such use;

(g) Directing CIT Group/Business Credit to deliver the ELLCO Stock and such other documents and releases as may be reasonably requested by the Debtos or the Purchaser in connection with the sale of the ELLCO Stock;

(h) Granting such other and further relief to the Debtors as may be just and proper;

PLEASE TAKE FURTHER NOTICE that the Purchase Agreement provides for a purchase price equal to the common shareholders' equity of ELLCO, decreased by $3 million and subject to adjustment based primarily upon the balance sheet of ELLCO on the Closing Date. The common shareholders' equity is estimated to be approximately $164 million at April 30, 1990. The purchase price and all other terms and conditions of the proposed sale of ELLCO to the Purchaser are set forth in the Purchase Agreement, a copy of which has been filed with the Court as Exhibit A to theApplicaion, and is available for examination by parties in interest during the Court's regular business hours.

PLEASE TAKE FURTHER NOTICE THAT, the Hearing may be adjourned from time to time without further notice to creditors or other parties in interest other than by an announcement of such adjournment or the date scheduled for the Hearing.

HIGHER AND BETTER OFFERS

PLEASE TAKE FURTHER NOTICE that at the Hearing, the Bankruptcy Court will consider the Purchase Agreement and any Competitive Bids. Any party wishing to make an offer to purchase ELLCO on terms which it considers to be higher or better than those set forth in the Purchase Agreement (collectively, "Competitive Bidders") must, pursuant to order of the Bankruptcy Court, comply with the following procedures:

1. Competitive Bids must be made in writing, filed with the Court and served by hand, courier or overnight service upon: (i) Lomas Financial Corporation, Suite 3600, 2001 Bryan Tower, Dallas, Texas 75201, Attention: James L. Crowson, Esq., and its counsel (whose address is set forth below), (ii) Kramer, Levin, Nessen, Kamin & Frankel, 919 Third Avenue, New York, New York 10022, Attention: Joel B. Zweibel, Esq., (iii) Andersen Kill, Olick & Oshinsky, P.C., 666 Third Avenue, New York, New York 10017, Attention: Duncan N. Darrow, Esq., (iv) Stroock & Stroock & Lavan, 7 Hanover Square, New York, New York 10004, Attention: Andrew DeNatale, Esq., (v) Weil, Gotshal & Manges, 767 Fifth Avenue, New York, New York 10153, Attention: Harvey R. Miller, Esq., on or before April 16, 1990;

2. Competitive Bids shall each: (a) specifically set forth: (i) all actions taken by such Competitive Bidder to obtain approval, if any, from necessary governmental agencies of the proposed sale, were such interested party to be the successful competitive Bidder, (ii) such approvals or disapprovals obtained, and (iii) the Competitive Bidder's best estimate as to the likelihood and timing of any such approvals not yet obtained;

(b) Specifically set forth those amendments and modifications to the Purchase Agreement which the Competitive Bidder would propose were it to be the successful Competitive Bidder; and

(c) Be accompanied by the latest available certified financial statements of the Competitive Bidder and such subsequent financial statements and other financial information which would enable Lomas to evaluate the Competitive Bidder's ability to satisfy its obligations under the Purchase Agreement.

OBJECTIONS TO THE SALE OF ELLCO

PLEASE TAKE FURTHER NOTICE that objections, if any, to approval of the proposed sale of ELLCO, or to any of the other relief requested by Lomas as set forth in the Application, shall state with particularity the reasons for the objection and shall be filed with Bankruptcy Court and served by hand, courier or overnight delivery service upon (a) Davis Polk & Wardwell, counsel for Lomas whose address is set forth below, (b) Kramer, Levin, Nessen, Kamin & Frankel, 919 Third Avenue, New York, New York 10022, Attention: Joel B. Zweibel, Esq., (c) Andersen, Kill, Olick & Oshinsky, P.C., 666 Third Avenue, New York, New York 10017, Attention: Duncan N. Darrow, Esq., (d) Stroock & Stroock & Lavan, 7 Hanover Square, New York, New York 10004, Attention: Andrew DeNatale, Esq., (e) Weil, Gotshal & Manges, 767 Fifth Avenue, New York, New York 10153, Attention: Harvey R. Miller, Esq., and any other persons whose interests would be affected if the objection were to be sustained, on or before April 17, 1990 at 10.00 o'clock in the forenoon. Any objection so filed will be considered by Bankruptcy Judge Lifland on April 19, 1990 at 2.00 o'clock in the afternoon or as soon thereafter as counsel can be heard, at courtroom 623, United States Courthouse, The Old Custom House, One Bowling Green, New York, New York 10004-1408.

Dated: New York, New York
April 9, 1990

BY ORDER OF THE BANKRUPTCY COURT
HONORABLE BURTON R. LIFLAND
UNITED STATES BANKRUPTCY JUDGE
The Old Custom House
One Bowling Green
New York, New York 10004-1408

DAVIS POL & WARDWELL
Attention: Laureen F. Bedell, Esq.

Counsel to Lomas Financial Corporation, et al.,
Debtors and Debtors-in-Possession
1 Chase Manhattan Plaza
New York, New York 10005
(212) 530-4000

ARCHITECTURE

Paddington redrawn

IN 1820 Paddington was an small isolated village around its green. There were a few large country houses in the neighbourhood, including Westbourne Place which had architectural occupiers in the form of Isaac Ware in the 18th century and Samuel Pepys Cockerell in the 19th. The area changed its country character radically as the 19th century proceeded and the Bishop of London's lands were developed with long stucco terraces and crescents and large communal gardens. The Paddington Canal was an early arrival in 1795 and a precursor of the area's later importance as a centre of communications.

It was the arrival in 1832-8 of the Great Western Railway and its magnificent terminus designed by Isambard Kingdom Brunel that both gave the area a centre and brought it closer to the rest of central London. Somehow the area has always seemed much more of a place to depart from than a place to stay in and its strangely transient character was not helped by the arrival of the Westway, which roars past the parish church of St Mary's and the tall backs of seedy terraces. Sir John Betjeman probably got it right as he charted the decline from Edwardian comfort in Bayswater and Paddington giving way to an area, "now rack-rented into flats for busy refugees."

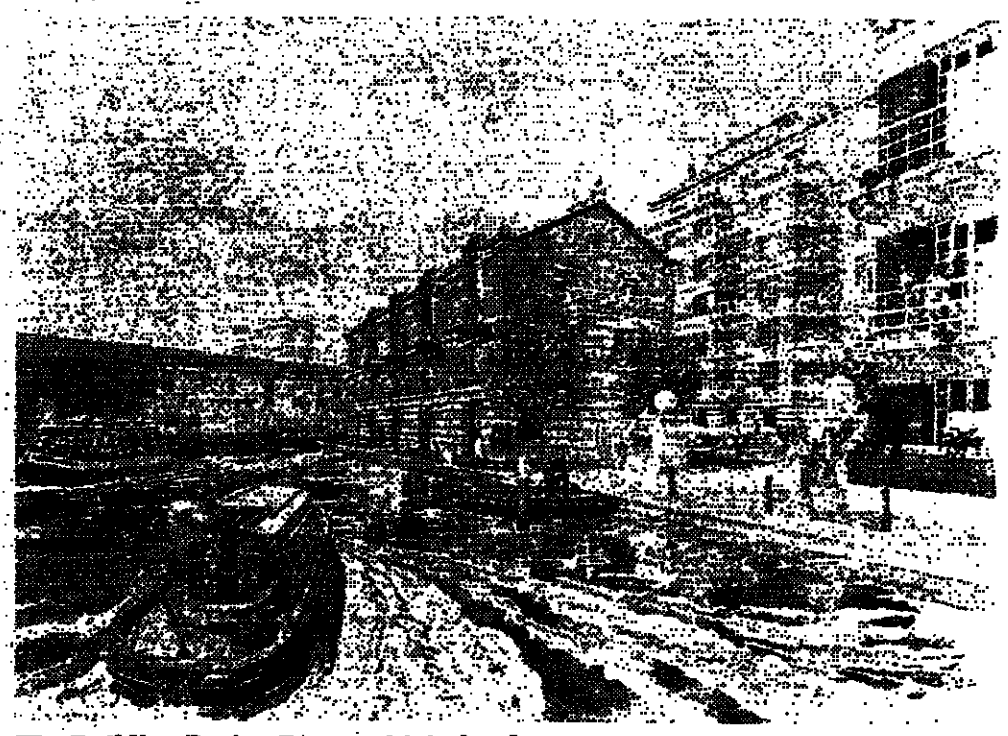
Now the area faces some of the most radical development proposals that are likely to affect the capital. Westminster City Council have the enormous responsibility to reconcile the needs of the London, the wishes of the residents and the conflicting aims of a variety of developers. To date the City Council has declared the whole district a Special Policy Area with a project director who has the unenviable task of attempting to bring harmony.

Thee are five major development proposals within the special area. The first is for the Paddington Basin, which is a thirteen acre joint venture scheme between Trafalgar House Developments and the British Waterways Board. The planners and architects are Britain's largest architectural firm, Building Design Partnership.

This is the only really mixed development that includes offices, shops, flats, an hotel and a minimal number of studio workshops. In architectural terms this seems to be the most coherent, and it has a strong focal point in the form of a shopping galleria at the Edgware Road end of the canal. There are two office towers of seven and 18 stories – the taller looks ar present to be architecturally undistinguished.

The best element of the Paddington Basin scheme is the opening up of the canal basin itself to the public. New bridges and paths will allow public access to an area that has been disused and lost for years. The developers do seem to be making every effort to ensure that a new waterside community can be developed on this currently wasted site.

The second site is the former Paddington Goods Yard which covers some thirteen and a half acres of sunken wasteland between the Westway and the railway tracks. Grainhurst Properties are the developers (Regalian, NFC, and Higgs and Hill) and the architects are Seifert. This plan is for offices (some 1.7m square feet) and shops only. The developers call their grandiose proposals Bishopsbridge and it has been severely mauled by the Royal Fine Art Commission, quite rightly, for being too large for one architect to handle and for having buildings that are much too high.


The Building Design Partnership's development plans for Paddington Basin

It would be very damaging if it was allowed to go ahead in its present form; architecturally it looks like an Mervyn Peake version of urban horror. The plan is for some 11 to 12,000 jobs to created by the new office development of this scheme. The movement of this large number of people is going to demand more than the proposed new underground station.

The third plan is for the redevelopment of the St Mary's Hospital site. The Parkside District Health Authority wants to build a major new hospital which would be partly funded by the replacement of some existing hospital buildings by commercial developments. The architects for the new hospital are Llewlyn-Davies Weeks and for the commercial element, YRM.

This sort of rationalisation of centrally located hospital land and buildings seems sensible, but is contentious: is this the way to fund urgently needed hospital improvements?

Other plans for the area include the replacement of the 1950's office block on Eastbourne Terrace by a post modern commercial development by the Halpern Partnership, and a further addition to the Metropole Hotel by the Edgware Road by American architects HOK International. The hotel is some 29 stories high and remarkably ugly and undistinguished.

The enormous changes planned for Paddington all need sensitive integration by the planning authority. Westminster is taking considerable trouble to ensure that the public is consulted and aware of the potential of the area as the centre of the proposed east-west cross London rail link and the much needed express rail link from Paddington to Heathrow Airport.

Inevitably Paddington is to be compared with proposals for Kings Cross and Broadgate, but it has several advantages in that the land is ready for redevelopment and the area needs the major lift that such proposals could offer.

The proposals are generated by concrete transport proposals that are also much needed. The local authority is taking the right approach – guidance and emphasis on the need for integration of the variety of plans. The difficulty, it seems to me, comes with the quality of the architecture. There are no leading design firms involved in any of the schemes, and the general, overall design level is not high or original. It is only architectural quality that can redeem cities and these proposals for Paddington still have a long way to go.

Colin Amery

The Last Days of Don Juan

ROYAL SHAKESPEARE THEATRE, STRATFORD-UPON-AVON

Like Punch, Don Juan is the villain we hate to love, the id personified, the anarch who jovially demolishes the establishment. Significantly he first saw life as the *burlador* of Seville in Tirso de Molina's play: "burlador" means trickster. It also means joker and has connotations of prankishness. The besetting sin of Nick Dear's new version – which opens the RSC season – is the lack of mirthfulness.

The translation is modern and idiomatic, though colourless when linguistic virtuosity is required. Attempts at local colour lead to bathos: "Men went on their knees to me – paraded me through patios" recalls Isleworth rather than Iberia. Above all it loses awe and fear; and strips the central character of his wickedness. Being dragged down to hell seems an excessive penalty for this compulsive and joyless con-man who would scarcely rate a mention in *The Sun*.

Mr Dear has strengthened the women's characters. There are four victims, condensed into the three of Mozart's opera, and all begin with varying degrees of spunk, integrity and self-respect. Fisherwoman Tisbea revels in her inependence, her own little home; the peasant Aminta (like her operatic descendant Zerlina) chafes at the status of marital chattel; the two aristocrats leave the adapter uneasy – a sign of the times – but throw up a hollow-eyed and near mad Anna, done with dishevelled relish by Yolanda Vasquez.

Triumhantly, we also have a female servant for the Don. The cook Catalina is a contrast rather than the low-life counterpart to the hero that we usually see, leaving room for both disapproving comment and a certain tenderness. She strides around in breeches, greasy, rough-voiced, enunciating sense and scruple "let all the men in the world be brave; where conscience is concerned Catalina is a coward." Only economics keep her in servitude. Lacking Vanessa Redgrave, born to play the part, the RSC casts the wonderful Sally Dexter, a protean actress who in each new role never puts a foot wrong.


Alastair Muir

Suffering: Linus Roache as Don Juan

Designer Kandis Cook's waffle criss-crossed wall is smeared with red tongues (blood or flames?), and opens to reveal bare brick, a promising arena for Danny Boyle's not yet fulfilled production. Linus Roache has given beautiful performances at the RSC, but he seems puzzled by the rather blank Don Juan. Irony glints through a mocking tirade on honour of fleetingly Falstaffian scepticism, but he exists mainly as an element in the feminist argument: that women are "bartered like livestock", as political as international diplomacy.

Robust supporting performances bode well for the new season's company. Paterson Joseph's foppish dupe (the court gossip with Juan smacks of Coward, or at least *High Society*) is almost sacrificed to the absurd code of ale friendship – what would E.M. Forster have said to this satire?

George Anton brings the lilt of the Isles to peasant jealousy over his Belfast-accented Aminta. Sylvester Morand is a finely immobile statue who could be frightening if necessary. But this is not that sort of production.

Martin Hoyle

Romeo and Juliet

HULL TRUCK, HULL

Not many actors make their stage debut playing Romeo, but then Roland Gift is not an actor. He is the lead singer with Fine Young Cannibals, an unusual pop group in that it enjoys both critical and popular success.

He conveys a charismatic melancholy which enabled him to steal the movie Sammy & Rosie Get Laid while hardly opening his mouth.

He comes from Hull and his pop career was once managed by the Hull Truck's administrator so Gift has nobly given up a millionaire's salary for the next five months to tour in Romeo and Juliet.

Unfortunately you cannot merely pose your way through Romeo – there are some of the most poetic speeches in English drama to get over. By the opening night Gift had just about learned the lines by rote. No doubt over the next few weeks he will be able to loosen up enough to attempt some acting.

Not that it will be necessary in Bill Homewood's production. Whoever put about the report that young Romeo was "virtuous and well governed" must have been inhabiting a different Verona.

The play starts with the actors invading the front rows and pulling to pieces the rather noble opening prologue. After that the young Veronans act it up like lager louts on a cross-channel ferry. They even chant "Ro-me-o" to the beat of "here we go, here we go."


Roland Gift as Romeo with his Juliet, Daphne Nayar

Any opportunity for sexual horesplay is quickly grasped and poor Mercutio (a febrile Paul Brennen) can hardly get out a sentence without some priapic horseplay.

Words like "goose" and "prick" and "cheeks" are obvious candidates for bawdy behaviour, but even in the balcony scene Romeo's line "Sleep dwell upon thine eyes, peace on thy breast" is not allowed to pass without the lovers baring their chests at each other. Gift is almost an island of calm amid all this mayhem.

The actors have been allowed to raid the props basket for costumes – disco casual for the youths, a night dress for Juliet, Vogue for the adults – and the scenery is a group of building bricks shifted around as need be.

Daphne Nayar, an American newcomer, manages both a character – she plays Juliet as a young fanciful girl making a game of it all – and finds some beauty in the verse. Claire Benedict as the Nurse and Miles Richardson as Paris (when doubling up as Benvolio he is either vomiting, urinating or staggering) further their careers but for the rest it is basically who can rant best, with Colin Kaye as Friar Lawrence winning easily.

This Hull Truck production visits London, New York and elsewhere before ending up at the Edinburgh Festival. Roland Gift's undoubted physical magnetism is currently burning low as he gets to grips with his role.

If he can relax; if the company can turn down the frenzy; if some of the low comedy can be trimmed from an excessively long evening, then this Romeo & Juliet has enough panache to make converts of some of the young girls who will be drawn by Gift to the theatre for the first time.

Antony Thorncroft

Les Negresses Vertes

TOWN & COUNTRY CLUB

They may not be black, green or female, but they are very French. And Les Negresses Vertes are the most original rock band to have come out of that country for a long time.

The guileless little accordion waltz that reeks of Gauloises, dimly lit cafés and opens their show is as seductive as it is totally misleading; nothing else in the evening is going to be so quiet or persuasively evocative.

Imagine, if you can, some weird and wonderful hybrid of The Pogues and the Gypsy Kings, an eleven-piece outfit with raucous accordion, trumpet and trombone whose musical roots stretch all directions – back to the French chansonniers and the Fifties rockers and through to punk but with more than a smattering of Flamenco rhythms and Algerian *rai*.

It might be zee French rock as described by the lead singer Helno (a kind of Gallic Shane MacGowan) but the result really does defy classification.

Helno is the group's pivot, its centre of manic energy. Mad, bad and dangerous to watch from the front row, he maintains a constant bilingual banter as he goads his troupe into ever wilder realms. That freestyle exuberance is harnessed to a fierce rhythmic drive and lyrics that probably lose quite a bit in their translation.

I fancy that a crash course in French slang would add a whole new dimension to some of these songs but the surreal Zobi La Mouche - "Oui c'est moi la mouche/Je suis pas tant crédible/Car on me trouve louche" – and the perils of vegetarianism chronicled in La faim des haricots come over clearly enough.

Last week's sold-out appearances at the Town and Country concentrated on the songs from the Negresses' first album *Mlah* which appeared a year ago. Where they go now, though, seems hard to predict. Light and shade are not part of their scheme of things; 90 minutes of scarcely controlled mania is enough for most people.

But part of the charm (if that is an appropriate word) of Les Negresses Vertes is their self-indulgence; the show may be a smoothly geared product but its constituents are fresh and quirky – they're out to have a good time, and might even have surprised themselves with their popularity.

Andrew Clements

State of Mind

THEATRE MUSEUM

With its plinth, its pillars and its position down several furlongs of ramp in the bowels of Covent Garden's Theatre Museum, this theatre, for all the cachét of its address, is about as uninspiring as they come, forcing the hapless performer to maintain the illusion of playing to three sides when the lecture-room ambience and treacherous sight lines herd the audience to the front.

It poses no difficulties for the energetic Yorkshire Theatre Company, a young Leeds-based touring group who have doubtless encountered worse on their travels. Unencumbered but for some soapboxes and a scattering of caps and specs, they carry their craft on their backs, unloading it item by item in an exuberant display of physical scene-setting. *State of Mind* is, roughly speaking, a portrait of contemporary youth culture, media-led, fiction-obsessed, which follows two likely lads from pre-adolescent preoccupations with science fiction and Jimmy Savile through the agonies of the disco hall and school reports to the adult redundancy their parents always feared lay ahead.

Ian Hartley's script is not particularly profound or searching, but it is thickly packed with shards of needle-sharp pastiche, some of which – like the fantasy interviews in the styles of teen-mags Smash Hits and Just Seventeen – could only be fully appreciated by a teenage audience. The cast of three - Caroline Burghard, Hartley himself and the lanky Christopher Halliday – are a likable bunch who work neatly together, performing with a rapport and a bounce, under Toby Swift's direction, that keep the laughs coming whether juddering in the imaginary strobes of a teenage dance or recreating the collected murders of Alfred Hitchcock (this last, one of the show's high spots).

It is a piece that leaves one not moved but amused – and convinced once again of the theatre's ability to speak the language of the television generation while remaining innately and irrepressibly theatrical. The importance of this sort of bridge-building cannot be too highly stressed.

Claire Armitstead

ARTS GUIDE April 6-12

MUSIC

London

Royal Philharmonic Orchestra conducted by Edward Downes with Janina Fialkowska (Piano), perfroming Stravinsky, Bartok and Maxwell Davies. Royal Festival Hall (Tue) (928 8800)
City of London Sinfonia conducted by Richard Hickox. Nancy Argenta (soprano), Michael Chance (counter-tenor), Mark Tucker (tenor). Bach *St. Matthew Passion* (Tues). Barbican Hall (638 8891).
London Symphony Orchestra conducted by Jeffrey Tate. Barbara Bonney (soprano), Sarah Walker (mezzo-soprano). Handel *Messiah* (Thur). Barbican Hall (638 8891).
BBC Symphony Orchestra conducted by Esa-Pekka Salonen. Jill Gomez (soprano), Bernadette Greevy (mezzo-soprano). Debussy, Szymanowski, Sibelius (Wed). Royal Festival Hall (928 8800).
Allegri String Quartet plays Mozart and Haydn in 'A Taste of Old Vienna'. Queen Elizabeth Hall. (Thurs) (928 3002).

Paris

London Symphony Orchestra with the Tallis Chamber Choir conducted by Jeffrey Tate: Handel's *Messiah* (Tue). Chatelet (40282828).
Orchestre Philharmonique de Radio France with the Radio France Choir conducted by Nello Santi: Verdi's *Forza del Destino*, in concert version (Wed). Chatelet (40282828).
Orchestre National de France. Chamber music with soloists d'Indy, de Wailly (Wed). L'auditorium des Halles (40282828).
The King's Consort conducted by Robert King. Purcell, Blow (Thur). Chatelet (40282828).

Brussels

Theo Adam (bass) accompanied by Rudolf Dunckel (piano) singing Beethoven, Schubert, Schumann and Strauss (Sat). Théâtre Royal de la Monnaie.

Munich

Bavarian Radio Orchestra and Choir under Leonard Bernstein with singers Arleen Auger, Frederica von Stade, Franco Lopardo and Cornelius Hauptmann. Mozart (Sat). Herkulessaal der Residenz.

Milan

Luigi Alberto Bianchi (violin) playing Bach, Paganini and Kreisler (Wed). Conservatorio G. Verdi (76001755).

Rome

Salvatore Accardo conducting violinist Frank Peter Zimmerman in Mozart and Rossini (Tues). Auditorium in Via Della Conciliazione (6541044).
Peter Neumann conducting the Kölner Kammerchor and the Collegium Cartusianum playing Bach's Easter cantatas, with soloists John Elwes, Klaus Martens and Ulla Groenewold (Wed). Teatro Olimpico (393304).

Madrid

Eliot Fisk (guitar). Frescobaldi, Bach, Castelnuovo-Tedesco, Paganini (Fri). Auditorio Nacional de Musica (337 01 00).
Pilar Lorengar (soprano) with Miguel Zanetti (piano). Teatro Lirico Nacional la Zarzuela (Sun). (429 82 25).

Barcelona

Liceu's Symphony Orchestra and Choir. Beethoven's Missa Solemnis. Gran Teatre del Liceu (Tues, Wed) (318 92 77).

New York

New York Philharmonic conducted by Charles Dutoit with Joshua Bell (violin). Stravinsky, Prokofiev, Shostakovich (Tue); **Leonard Slatkin** conducting with Joseph Alessi (trombone). Haydn, Creston, Elgar (Thur). (874 6770).

Washington

National Symphony Orchestra conducted by Hugh Wolff with Stephen Hough (piano). James Conlon conducting with Mirella Freni (soprano). Verdi, Tchaikovsky, Rimsky-Korsakov (Thur). Kennedy Center Concert Hall (467 4600).

Tokyo

Chicago Symphony Orchestra, conducted by Georg Solti. Bruckner Symphony No 8. (Wed). Mozart, Shostakovich. Tokyo Bunka Kaikan (Thur). Suntory Hall (289 9999).
Mstislav Rostropovich, with the New Japan Philharmonic Orchestra, conducted by Seiji Ozawa. Vivaldi, Lutoslawski, Strauss. Tokyo Bunka Kaikan (Wed), Bunkamura, Orchard Hall (Thur) (499 1531).

Louis Lortie

WIGMORE HALL

Since this French-Canadian pianist has established himself as a selflessly brilliant exponent of the French repertoire, his prowess in Debussy and in Stravinsky's *Petrushka* transcriptions on Saturday – dazzling to hear – was no surprise.

What was surprising was the absence of surprise throughout the Italian book of Liszt's *Années de pèlerinage* or to put it another way, the discovery that Lortie just is not a very interesting Liszt pianist.

Expert, certainly, and scrupulous, and a model of good taste: but he proved conclusively that these virtues are insufficient.

The earlier pieces in the book are mild stuff (*Il penseroso* can seem more than that, but it did not here), and they need the touches of fantasy and enlivening imagination which Lortie was too polite to supply. His careful, musicianly rendering of the Petrarch Sonnets was pallid in comparison with what any number of other pianists can find in them.

Even the Dante Sonata, executed with much bravura, sounded dramatically non-committal: the tortured chromatic theme merely a first subject, the rapturous central surge just a well-graded crescendo.

Of the early Debussy he chose, the overlong Masques needed more than his digital polish to keep it going. With *L'Isle joyeuse*, however, the real Lortie at last made his bow. It is a fitfully effective piece, often lying awkwardly under the hands – as Ravel observed, it suggests a transcription from an orchestral score.

Lortie explored it with superb confidence, bringing all his variety of touch and colour into play, with glinting bursts of sea-spray at the edges. It was a rescue so successful that it made one forget that the piece ever seemed to need rescuing.

Having hit his stride with such *éclat*, Lortie proceeded to dispatch Stravinsky's fearsomely difficult *Petrushka* extracts with insouciant glee. (He seems to have a special fondness for transcriptions.) If his Shrovetide Fair episode was a degree less exuberant than Mikhail Rudy's, a couple of months back, it was even better controlled – Lortie's strict loyalty to rhythmic pulse is a notable mark of his style.

He displayed a broad canvas in bright hues, charged with witty detail, and he treated the scene in Petrushka's cell with incisive subtlety, eliciting the undisguised pathos which had been missing from his Liszt: an immensely satisfying performance.

David Murray

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When alliance ends in anger

THE SPECTACLE of General Electric of the US suing Daimler Benz of West Germany for damages of $1.15bn (£700m) for allegedly breaking collaboration agreements will provide a salutary shock to the many companies rushing to take part in the world-wide fashion for "strategic alliances." If GE, one of the world's most experienced practitioners of corporate collaboration for three decades, can get caught by the sudden defection of an ally, other companies will ask themselves how they can avoid falling into a similar trap.

The dispute will also undermine the widespread notion that the most risky alliances are those with Far Eastern partners. And it will raise to new prominence the question of whether collaboration between global giants requires a global competition policy.

The fashion for alliances of various kinds has gathered seemingly unstoppable momentum since the mid-1980s, in almost every industry. From cars to consumer electronics, computers to aerospace, a dense network of alliances is now spreading across the globe. They cover, in different combinations, the exchange of technology, product designs, components, production, markets, and management skills – frequently between equals and increasingly between competitors.

In the motor industry and in aero engines, the territory of the GE-Daimler dispute, most such "competitive collaboration" involves the pooling of specific activities, with rivalry continuing outside the area of agreement.

Varied motives

The motives for the international rush to collaborate vary between industries and from case to case. But three factors are common to most of them: the globalisation of competition, which prompts partners in Europe, the US, and the Far East to team up with each other: the rising risk of developing costly new technologies and products, which forces them to share it; and sheer fear that if companies do not act quickly, all the partners on the dance floor will be taken.

Such alliances are far from risk-free. With a few notable exceptions, such as – until a fortnight ago – GE's 30-year deal with Motoren-und-Turbinen-Union, part of the Daimler-Benz group, most of them are inherently temporary from the very start.

Limited goals

Research studies suggest that about 40 per cent of joint ventures and other collaborative arrangements last for less than four years. These early terminations are not necessarily failures: some alliances may have achieved their limited goals, while others end in takeover. But many are decidedly divorce-like, such as the 1986 collapse of GE's aero engine partnership with Rolls Royce, when the latter decided to go its own way; it has subsequently linked with two Japanese companies.

Whatever the legal rights and wrongs in the GE-Daimler case, it is understandable that the American company is angry at MTU's defection to GE's main rival, Pratt & Whitney, part of the United Technologies conglomerate. Even if Daimler returned all GE's proprietary information, as demanded in the lawsuit, MTU and Pratt could still use much of the knowledge to build a competing engine.

Whatever the eventual settlement of the dispute, it will force countless companies to think much harder in future about how to safeguard as much proprietary information as possible from their partners – and, indeed, about whether to enter an alliance at all.

That might be all to the good. The alliance flood has reached such a pitch that in certain industries it could start to restrict competition. The argument that ever larger scale is necessary for corporate survival may appeal to the corporate mind, and have some force in high technology industries with daunting development costs. But the steady carving-up of industries across the globe, by alliances between giants which are also acquisition-hungry, reinforces the case for some sort of collaborative US-European Community competition policy.

When the dust settles, Daimler may find it has unleashed more than just an expensive lawsuit.

After the poll tax

THE POLL tax has been resoundingly rejected. The British people have shown their distaste for it in demonstrations, rumblings on the Government benches in Parliament and resignations from the Conservative Party. The Government in general and the Prime Minister in particular are more than usually unpopular for this stage of the electoral cycle. There are several reasons for this, but the community charge stands out as the most immediately significant. Nothing that has been said or done about it suggests that it will become more acceptable with the passage of time.

The reason is that it is an unworkable solution to a genuine problem. British local government is unrepresentative, undemocratic and inefficient. This largely reflects the fact that England at least is not merely juridically but psychologically a unitary state. This has three important consequences: first, people vote on the basis of national politics and pay little attention to local issues; second, local authorities are in many areas no more than agents for central government; third, because the inequalities in local spending that would follow from local fiscal autonomy are politically unacceptable, central government has consistently provided a huge proportion of local authority resources. Local authorities have spending power, but limited accountability. It is no surprise, therefore, that central government has always been heavily involved in both local government finance and local government spending.

Accountability factor

The community charge was designed to solve these problems by providing a highly-geared element of accountability: three-quarters of local revenues are set by the Government, and the other quarter is paid directly by every inhabitant.

In fact the blame for the tax has fallen on the Prime Minister, as the perceived force behind its introduction. There is no sign, as yet, that local electorates are voting according to which local candidates or parties promise to be the most parsimonious with local budgets.

The Government is now attempting to offset the electoral disaster threatened by the poll tax, partly by using central funds to mitigate its worst effects and partly by "capping" some authorities and thus, in the process, denying the logic of accountability. This is the option it is likely to stick with, perhaps for fear of the consequences of admitting that it has made an enormous mistake. It would be better to withdraw the poll tax and bring back the rates. This would not work unless the uniform business rate, which has much to recommend it, was also withdrawn. This reversion would be a pity, but it cannot be helped.

Genuine dilemmas

The UK would then be back to a most unsatisfactory system, but at least one that is less unsatisfactory than the poll tax. The next step would be to spend the time necessary to reconsider the role of local government and local finance. There are genuine dilemmas, which need to be faced. A healthy local democracy, for example, may have to involve some inequality in resources available per head.

A proper examination of local government would involve answering the following questions: what are the proper functions of local government? How should local governments be elected (possibly by proportional representation?) and how should the executive be structured – perhaps there should be directly elected mayors. Should councillors be paid and how much? How many tiers of local government should there be and what should each of them do? How should local taxation/property charges/rates/ be arranged? What role should central government play in determining local authority spending and taxation patterns? No British Government, of any political party, has addressed itself to this whole complex of related questions at once. Whatever Government next dares to challenge local autonomy should heed the lesson of the poll tax and think through all the questions before making a move.

Peter Montagnon and Lucy Kellaway report on the row over the EC's anti-dumping policy

The 'predators' and the investors

From its own point of view, Japan's choice of the European Community's anti-dumping policy as the target of its first complaint to the General Agreement on Tariffs and Trade could hardly have been better.

Not only has it won a resounding vindication from the panel set up by Gatt to review the complaint but the panel's verdict – that measures by the EC to prevent circumvention of its anti-dumping duties are illegal – has blown a gaping hole in what has become Europe's main defence against cheap imports of electronic goods from Japan and other Asian countries.

Some trade analysts say it may also give a decisive push to talks in the Uruguay Round of multilateral trade negotiations on the establishment of a much-needed new set of rules to cover the whole field of anti-dumping.

Anti-dumping actions designed to stop predatory pricing in international trade have become the most frequently-adopted trade policy instruments after tariffs in both the EC and the US, according to the Gatt.

Their application to high-technology products with short cycles and volatile prices has made dumping more controversial than ever in recent times. Last December Mr Arthur Dunkel, Gatt Director General, warned of the "important implications" of this development for the multilateral trading system.

Critics of the EC charge that it has exploited the vague wording of international rules to make anti-dumping a tool of industrial policy instead of simply a means of gaining relief from predatory pricing.

Along with the US, the EC argues that modern business conditions make duties increasingly difficult to apply effectively. Companies found guilty of dumping can simply avoid payment by moving their final assembly operation to another market.

Of the 56 goods currently subject to EC dumping duties, nine are electronic products, mainly from Japan. The value of these goods dwarfs the others; trade in dot matrix printers, in photocopiers and CD players was each worth more than Ecu1bn when the duties were imposed, more than all the other cases put together.

Japan's attack concentrated not on the EC's basic dumping rules, however, but on measures taken by the Community since 1987 to prevent Japanese companies from circumventing anti-dumping charges by switching final assembly to "screwdriver plants" in the EC.

Without some such means of protection, the EC felt anti-dumping rules would be a pretty weak tool against imports of easily-assembled electronics products. When the EC imposed dumping duties on Japanese electronic typewriters in 1984, Japan was importing 700,000 units into the EC. By 1988, almost as many Japanese typewriters were being assembled in the EC, leaving a mere 35,000 directly imported from Japan.

In that year, the typewriter producers were found guilty under the screwdriver rules and agreed to increase the non-Japanese content of their production to 40 per cent.

The EC applies strict conditions to its anti-circumvention rules. They only apply to products already found to have been dumped; output in the Community must have increased substantially since dumping was found; and at least 60 per cent of the parts must originate in the country accused of dumping.

Yet the Gatt panel declared these rules illegal. It said they amounted to a discriminatory charge on Japanese companies operating in Europe. Dumping duties could only be collected at the border. Moreover, undertakings sought from Japanese companies that they would limit the use of Japanese parts in their European plants discriminated against imports and were also illegal.

Article XX of the international trade body allows its members to deviate from the normal rules of international trade if this is necessary to secure compliance with Gatt-consistent measures. However, the panel found no proof that Japanese companies were trying to evade payment of duties. Their action could simply be explained as a normal and acceptable commercial decision to avoid duty by shifting assembly to a plant within the Community.

As Europe's use of anti-dumping grew, Japanese companies stepped up their direct investment in the EC, but, as Japanese officials told the Gatt, this was not just due to anti-dumping actions. The rise of the Yen, a desire to be part of the 1992 single market and a desire to get closer to their customers in Europe also played a part. The EC had failed to take these other motives into account.

Since introducing its anti-circumvention rules, the Commission has investigated production at 34 Community factories making seven different products. One investigation – that of video-cassette recorders assembled by Orion in the UK – is still going on. In 15 cases, the Commission found that the rules were being broken, but rather than impose duty, it preferred to get undertakings from the companies concerned to boost non-Japanese supply.

There is little danger that these undertakings will now unravel. Officials in Brussels believe that the inconvenience and the political sensitivity of shifting back to Japanese suppliers may mean that sourcing patterns remain much as now.

The finding has still, however, left the EC on the horns of a dilemma.

On the one hand it does not want to be labelled a bad citizen by refusing to accept a Gatt ruling against it. On the other the ruling drives a coach and horses through its present policy. "The panel says our legislation is in conflict with the rules but it does not solve the problem (of circumvention)," says Mr Frans Andriessen, EC Trade Commissioner.

Circumvention is, however, only part of the broader international debate on dumping. Rangedon one side are Asian countries such as Japan which want an end to what they regard as unfair harassment of their exporters by anti-dumping actions. On the other are trading powers like the EC and the US which regard anti-dumping as an essential and legitimate instrument for use against predatory pricing.

As the table shows, Canada and Australia also have a long tradition of recourse to anti-dumping action, although the number of cases initiated by the latter has fallen sharply since 1988 when it tightened its domestic legislation. In their submissions to the Gatt panel both Canada and the US expressed sympathy with the EC position. Canada said it was "sympathetic to the valid concerns governments might have" regarding circumvention. The US said anti-circumvention measures were an "essential necessity."

The world economy had changed out of all recognition since Gatt was founded in 1947, it said. Manufacturing operations had become increasingly integrated, multinational sourcing of parts was now common and it had become easy to switch the location of an assembly operation.

"Global sourcing and flexibility of production could, within a matter of months, eviscerate an anti-dumping duty order issued on a final product . . . Without anti-circumvention measures, the delicate balance of rights and obligations which formed the foundation of the international trading system might be seriously undermined."

Finding an acceptable way of dealing with circumvention is none the less likely to be difficult. Although Gatt admits the principle of anti-circumvention, there are no specific rules on how it should be made to work.

The panel's narrow interpretation of Article XX makes it hard to conceive of an anti-circumvention scheme which would work in practice and still be in conformity with the Gatt. It might, however, be possible to agree mutually acceptable rules under Gatt's separate anti-dumping code.

Subscribers to this code form a limited club of some two dozen countries but they account for a major proportion of world trade so an agreement under the code might largely solve the problem. Talks to reform the code were scheduled under the Uruguay Round in response to the broader controversy over anti-dumping. Among the concerns were the:

- use of formulae tilted towards a positive finding of dumping, not only by the EC, but by other countries too. Gatt's dumping code has no specific rules on how dumping margins should be calculated. Critics say this makes it easy for countries to extend their actions beyond simple defence against predatory practices.
- high cost to consumers of anti-dumping duties. The imposition by the US last year of dumping duties on a wide range of ballbearings led to a furious outburst from engineering firms such as Caterpillar, Hewlett Packard and General Electric. They argued that the dumping duties on an essential input would increase their costs and make them uncompetitive while lining the pockets of US producers.

Similarly, European companies like Olivetti, Bull and STC protested vehemently at an EC agreement with Japan to end an anti-dumping enquiry into memory chips by imposing a floor-price on Japanese product sold in the Community.

- spread of anti-dumping legislation to developing countries which see it as an attractive way of providing protection to their own industries. Mexico is the most frequently cited example of this, but countries like Brazil and South Korea have also launched dumping cases. This has alarmed some businessmen in the industrial world who see the risk of anti-dumping measures being turned against them. That in turn has helped generate support for efforts to reform the rules in the course of the Uruguay Round. The hope among the would-be reformers is that the Gatt panel finding will prompt a hitherto reluctant EC to take a more active role in talks on anti-dumping reform.

According to Mr Gary Horlick, a specialist lawyer with the US firm of O'Melveny & Myers, the door may be opening for an eventual trade-off. The EC and US could negotiate specific rights under Gatt's anti-dumping code to adopt anti-circumvention measures in return for better rules on how dumping margins were to be calculated.

This would help satisfy Japanese demands for greater discipline and transparency in the operation of anti-dumping measures which, alongside a better definition of injury, is one of their main objectives.

It is not yet clear, however, whether the Uruguay Round negotiations will move in this direction – the EC is still considering whether the best response would be to seek agreement in the Round or to try and adapt its legislation to conform with the panel finding.

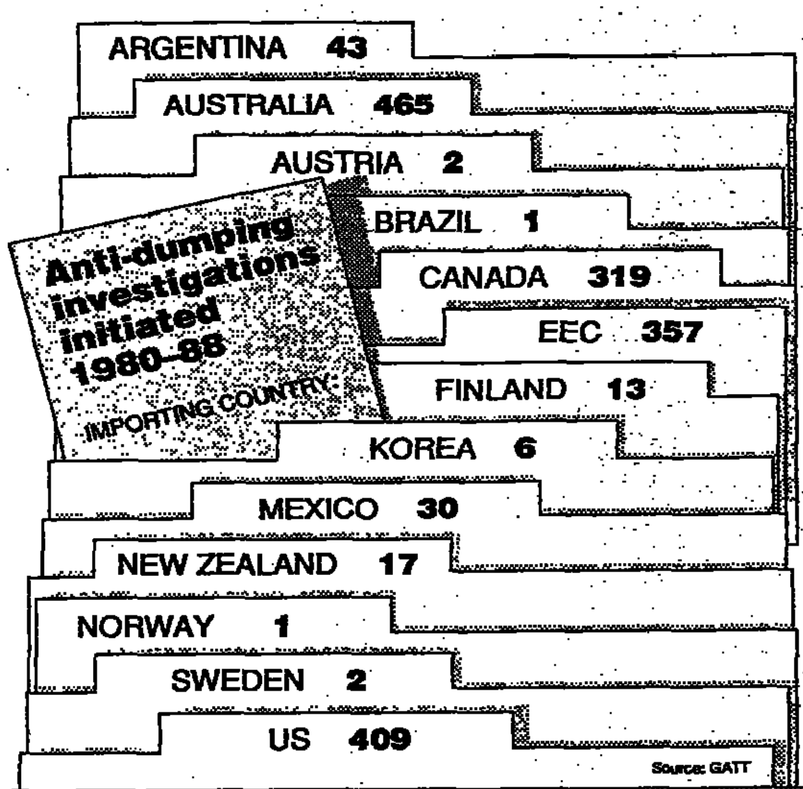
This might involve a new plan similar to the US system in which duties are imposed at the border on parts of goods subject to a dumping duty in the US, when the extra value added through assembly is "small."

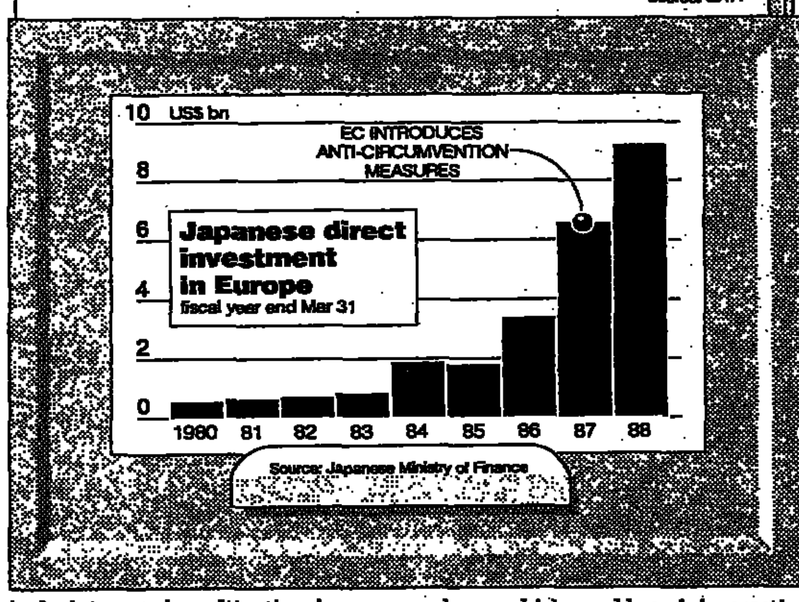
Adapted following the 1988 US Trade Act from anti-circumvention measures in force since the early 1980s, these rules have been applied from time to time and never actually contested in the Gatt. However, trade experts say that it is far from clear whether they fully conform to current rules. Also, they are cumbersome to operate because they require policing the shipment of parts. An item such as a photocopier may comprise as many as 1,000 parts.

On the other hand, by placing the emphasis on value rather than content, the US scheme avoids the problem of rules of origin that the has plagued the EC. Its content approach has opened up a Pandora's box since it is very difficult to arrive at objective origin definitions for some high-technology products like semiconductors and printed circuit boards. Last autumn saw the start of a new row as the US accused the EC of unfairly fomenting uncertainty in this area to force not only Japanese companies but also the US companies who wished to supply to them to invest in Europe.

Following the US route might spare the EC some problems with rules of origin.

The main lesson of the panel finding, however, is that the biggest problems come when anti-circumvention measures are applied unilaterally outside the general consensus.





Rally of the monetarists

■ The admission by Robin Leigh-Pemberton, the Governor of the Bank of England, last week that "something has gone quite badly wrong" with monetary policy over the last two or three years was music to the ears of the Institute of Economic Affairs. For the IEA is preparing a new initiative under which monetary policy will be subjected to closer scrutiny by what it regards as the best and the brightest of British economists.

The idea is to set up a Shadow Monetary Policy Group which will meet several times a year and publish its minutes, though possibly with a time lag.

The model is the Shadow Open Market Committee, set up in the US in 1973 and still going strong. In America the Committee meets every three months and is composed of a mixture of academics and bankers, usually about seven altogether.

Graham Mather, the General Director of the IEA, says that the trouble in Britain is that while there are lots of monetarist economists, they have no single forum in which to operate. Many of them foresaw the problems referred to by the Governor in his speech as they began to arise in 1988 – Tim Congdon, in particular – but, being prima donnas, they all used their own outlets, whether through newspaper articles or brokers' circulars.

Invitations to join the new group should go out this week with a view to holding the first meeting in May. Membership will be less than 10 and Congdon looks a certainty to be invited. So does Professor Sir Alan Walters, the economic adviser to Margaret Thatcher until a well-known contretemps got in the way. There are no plans as yet to include any foreigners, though Mather notes that Walters has experience of America.

The IEA will provide the hospitality. The discussions and findings of the group will, of course, be independent.

OBSERVER

Small coup

■ Meanwhile, the Institute of Economic Affairs has pulled off another small coup. Its annual lecture on July 2 will be given by Karl Otto Pöhl, the President of the Bundesbank. This is only the third in the series. Last year the lecture was given by Leigh-Pemberton, and the year before that it was Nigel Lawson as Chancellor. Whoever next?

Oldham still

■ Oldham Athletic have not quite made it to the FA Cup Final yet, but they are specialists in replays and no-one will rule them out. We must say that when we selected them earlier in the season, we never expected them to get reach the Final in both cup competitions. It just seemed a bet worth making. And if they do win the replay, who will be the underdogs at Wembley – Oldham or Crystal Palace?

Serious Gere

■ Richard Gere, the movie star, has been in London working on the publicity for two films due for release here next month. But he is finding, as Jane Fonda learned long ago, that the world's great sex symbols can swiftly lose their glamour with governments when they step outside their usual roles.

Gere's enthusiasm for Tibet and the Dalai Lama, its exiled spiritual leader who is seeking talks with China on semi-independence for the mountain territory, has upset both Peking and New Delhi. A Buddhist since the early 80s when he met the Dalai, Gere is currently planning a year-long festival of the arts at the Tibet House, a religious and cultural centre which he started in New York.

"A cynic is someone who knows the date of everything and the value of nothing."

Since the festival has the keen support of the Dalai's representative office there, the Chinese are lobbying hard to undermine it. "Chinese diplomats are going around threatening the museums that if they lend us anything, they will never help with Chinese exhibitions again," he says.

His problems are not with the Chinese alone. "I almost didn't get a visa to go to India to attend the Dalai Lama's teachings last month," he claims. In March the Dalai gave a special session of Buddhist instruction to commemorate China's invasion of Tibet and his flight to exile in India in 1959. The Indian government wanted to keep this event low-key, if not invisible, to avoid upsetting Peking.

"I tried through Disney, Paramount and Columbia, but in the end Representative Tom Lantos, who's a great supporter of the Tibetans, called the Indian ambassador and New Delhi. I got it at once."

In London, Gere lunched with Lord Ennals, chairman of Britain's all-party parliamentary Tibet group. "Tibet and Buddhism are as important to me as my films," he said afterwards.

Loss of power

■ Although David Waddington had established himself as the most politically combative British Home Secretary for many years, he has not come terribly well out of the recent London riots. That may be because he is in a less powerful position than some of his predecessors in relation to his duties as the police authority for London.

Certainly Waddington did not make much of an attempt to influence the permitted route of the demonstrators who ended up causing so much havoc in central London 10 days ago. In the old days they could easily have been denied access to Whitehall by Home Office fiat, and thus kept well away from Downing Street.

When he was Home Secretary during the Sidney Street siege, Winston Churchill used his powers to have a say in the route taken by demonstrators and in police tactics. So did James Callaghan when he was Home Secretary during the demonstrations over the Vietnam war, with which the latest events probably had most in common.

The reason for Waddington's reticence is attributed to the Public Order Act 1986, which empowers the Metropolitan Police Commissioner to decide the route of such demonstrations. The Home Secretary is not what he was.

At last

■ Did you hear about the man who has finally achieved an ambition he has cherished since 1975? He has just bought a 1975 Mercedes.

Robert Graham reports on today's drug conference in London

Tackling the cocaine menace

A 'crack house' in New York, where users may obtain the highly-addictive derivative of cocaine

"COCAINE has come from nowhere to become potentially the principal drug of misuse, not only here [in the UK], but elsewhere in the world," says Mr David Mellor, Britain's Junior Home Office Minister.

As one of the hosts at this week's three-day international ministerial conference in London on reducing demand for drugs and combating the supply of cocaine, Mr Mellor has a vested interest in highlighting the issues at stake. But it needs no hyperbole to talk about the cocaine threat.

The cocaine traffickers may have been put on the defensive by heightened international action but they still have huge resources at their disposal to play on an as yet unchecked demand. The harder the "cocaine war" is fought, the more officials realise they have underestimated the scale and ramifications of this traffic.

Last year 200 tonnes of cocaine was seized globally by customs and police. Yet this represents at best no more than a quarter of the 776-tonne annual production estimated by the US Drug Enforcement Agency (DEA). Late last year, the DEA concluded that almost twice as much more cocaine was being produced in Bolivia, Colombia and Peru than previously suspected.

Up to 10m Americans are spending between $20bn and $25bn a year on their cocaine habit – more than half the combined GNPs of the three Andean producer countries. European officials take comfort from the fact that cocaine seizures in Europe represent less than 5 per cent of the total. Half of these are in Spain, the principal entry point.

However, the Europeans are conscious of the way the US authorities focused too heavily on the main drug of abuse, heroin, in the late 1970s and early 1980s, ignoring the multiple dangers of cocaine. In Europe, heroin is the hard drug that still poses the most problems. Seven times more heroin is still produced worldwide than cocaine, but cocaine use is rising. Mr Mellor warned recently: "The American experience shows we underestimate cocaine at our peril."

No doubt the British Prime Minister, Mrs Margaret Thatcher, will take the chance to politic at the London conference. Like President François Mitterrand of France, she is determined to play an active role in what looks set to become one of the chief international issues of the 1990s. But while President Mitterrand has directed the French initiative to uncover and stop money laundering, Mrs Thatcher is concerned with measures to reduce demand.

Drug offensives have emerged as a poorly co-ordinated mix of bilateral and multilateral initiatives even after the 1988 United Nations Convention on Drugs enshrined international co-operation.

The US has never trusted the UN to play its promised central role. The UN has jointly organised the London conference with the UK Government. It follows a February summit in Cartagena, Colombia between the three Andean cocaine producers and the US, which emphasised a regional approach to combating cocaine.

The Cartagena summit marked a shift away from the previous lop-sided approach championed by the US that placed prime importance on curbing supply: crop eradication/substitution and interdiction. In theory, equal importance is now attached to reducing demand. Nevertheless, President Bush's $10.6bn drugs budget this year remains 60/30 in favour of combating supply. On the demand side, considerable stress rests on extra policing and more use of the military rather than education/health spending. As a rule, the EC also devotes more to interdiction and policing than dealing with demand.

Governments of countries producing drugs have long argued that supply is a function of insatiable demand in wealthy industrialised nations. Reduce the demand, they say, and supply will adjust accordingly. This then makes it easier to concentrate on crop eradication and substitution. In this respect at least, the London conference should give impetus to a serious multilateral effort to reduce demand of all drugs of abuse.

A more balanced approach towards supply and demand in the 1990s would be to view the whole issue as a North-South problem. The drug problems of the producing countries are essentially developmental. The coca leaf, for instance, has traditionally been the most profitable and viable crop in the Andean foothills. Illicit production is facilitated by poor communications and the remoteness of the production areas.

The temptations of high profits in poor societies encourage corruption which in turn undermines the judicial systems and the policing effort. In Colombia, matters have been taken one stage further and the state is facing a direct armed challenge from the cocaine barons. The supply end can only be tackled successfully by aiming large sums of development aid not merely at crop substitution, but also at the entire state infrastructure.

The Andean countries claim they indefinitely need $3bn a year. The US has promised $2.2bn through to 1995. Since such sums are unlikely to be forthcoming, supply at best can only be reduced in the medium term. Experience with cocaine and heroin suggests the source of supply can be switched with great speed and new "products" can be developed such as the highly-addictive cocaine derivative, crack.

On the demand side, the difficulties are equally costly to resolve. Education, health, and tackling inner-city decay are at the heart of any solution which eschews the dramatic initiative of decriminalisation. Although drug-producer countries have a much larger degree of consumption/addiction than they admit, the focus has to be on the industrialised countries. This is not only where demand is greater but where the traffickers profit. A US congressional committee recently estimated that worldwide money laundering was a $300bn-a-year business. Of this, one-third was in the US, a large proportion of which came from cocaine and heroin trafficking.

Attacking illicit profits is the subject of a special session at this week's conference. This is potentially the most vulnerable aspect of the drug business yet the area where international co-operation has been slowest. US officials, while admitting their own house is far from being in order, complain that elsewhere lax supervision of banking systems, the plethora of offshore tax havens and the sheer power of money still tilt the scales in the traffickers' favour. Last year the DEA seized $973m worth of traffickers' assets yet the street price of cocaine fell.

International strategy may become more co-ordinated but the timescales for reducing demand awkwardly match up with those for curbing supply. The main cocaine market, the US, aims to cut demand by 55 per cent over the next decade but in that time the producer countries are unlikely to obtain the necessary development resources. They will also be expected to sustain socially disruptive, politically dangerous and economically costly wars against the traffickers.

Some myths about child care

By Martin Wolf

IN HIS BUDGET Mr John Major promulgated the sound principle that "it is not for the Government to encourage or discourage women with children to go out to work." But, not one to let a sound principle come in the way of a politically attractive gesture, the Chancellor then offered a new perk, that on workplace nurseries, which are to be exempt from taxation as a benefit in kind.

The Treasury believes that this perk will cost a mere £10m. If so, it will prove cheap as perks go. But the measure will prove the thin end of a very long wedge. How, for example, can the Government provide subsidies for workplace nurseries and not for nurseries near the mother's home?

The starting point for the recent pressure has been one of those periodic hysterias about "shortages." In the early 1980s there was the "job shortage;" and in the late 1980s there is the "labour shortage." Both rest on the crumbly foundations of the "lump of labour" fallacy, the view that one worker too many entails unemployment and one too few means a labour shortage.

Because of the reduction in the number of young people coming on to the labour market over the next few years, mature women, presumably close substitutes for these young people, must be inveigled back to work. Otherwise, unspecified horrors are supposed to befall us. Those horrors are unspecified because they are imaginary.

There is no such thing as a "labour shortage;" there is only labour that is too cheap. But this is a blessing, not a problem. The natural and appropriate response to the excess demand, will be a rise in real wages. As wages rise, the "labour shortage" will disappear as completely as did the "job shortage" before it.

Over the last two decades there has been a marked convergence in the activity rates of men and women. Labour force participation of women aged 25 to 44, for example, rose from 52 to 71 per cent between 1971 and 1988, while that for men in this age bracket remained constant. The tightening in the supply of female workers (augmented, perhaps, by the limited supply of young people coming on to the labour market), will do more to raise the relative pay of women than a raft of legislation.

The female participation rate is, in any case, not a sensible target for economic policy. The participation rate in the UK is the second highest in the European Community, after Denmark. The performance of the UK economy hardly demonstrates that this is itself a great economic achievement.

In short, crude arguments about aggregate economic performance or "labour shortages" are unhelpful. But public intervention could still be justified.

Four issues arise. The first is

Crude arguments about 'labour shortages' are unhelpful

whether there is an economic case for making childcare tax-deductible. The second is how far society should concern itself with the costs borne by parents in bringing up children. The third is the economics of universal daycare. The last is whether there is an educational case for expanded nursery provision.

For a parent to work and hire someone else to look after her children would be economically justifiable provided her pre-tax income (adjusted for the other costs of working) exceeds the cost of childcare. If a parent needs to pay someone more than the whole of her (pre-tax) salary to do the job she would do if she stayed at home, her work creates no obvious economic benefit. It follows that there is an economic case for making childcare costs tax-deductible, but it is precisely the same case as that for the deductibility of all other job-related costs – those of commuting, for example.

Economics is only the beginning. We will all have to live in the country inhabited by one another's children. We have a still more compelling interest in there being children, in the first place. These social interests are rightly expressed in financial assistance to parents as well as public support for their education. But they are also expressed in interference in how children are brought up. The public interest in the upbringing of children is, it might appear, unlikely to be well served by encouraging parents to hand them over to the stream of ill-trained young women who are, in practice, their most likely replacement.

To this objection comes the call for "quality childcare." Quality childcare is, indeed, available to relatively well-off parents, but Norland nannies are for the few. Professional childcare for all is inconceivable, even if it were sensible. Standard local authority norms suggest that professional care for all British children under five would employ getting on for a million carers, more than twice as many people as all the nurses in the NHS, while the cost would be over £10bn a year.

If the Government were to contemplate spending such a sum on childcare, would it not be far better to give the money directly to the mothers – perhaps through a special benefit for mothers of young children – either to purchase the care or, alternatively, do the caring within the family? There is no case even for vouchers here. Cash would do.

Finally, there is a sound educational argument for the provision of more nursery school education. Though far less costly than comprehensive daycare for all under fives, even comprehensive nursery school provision would not be cheap. The cost might well rival what is spent today on all the universities.

Deciding upon appropriate levels and forms of public assistance to childcare will prove impossible if the argument starts from myths like the "job shortage." None the less, cases can be made for tax deductibility of childcare, for more general assistance to parents and for the expansion of nursery school education.

The fundamental issue, however, is how best to help women, upon whom still falls most of the costs of the socially essential task of bringing up children. That objective can be met by more generous financial support, especially to mothers of young children. But there is no reason why that support should be predicated on the absurd notion that childcare is, indeed, a socially approved job, but only if the carer is unrelated (and presumably indifferent) to the child.

LETTERS

How to get the dollar down to a sensible level

From Mr John Williamson.

Sir, At one time Martin Feldstein ("Time to bid farewell to the Louvre Accord," March 29) used to assure us that governments were powerless to influence exchange rates and implied that the dollar would continue to depreciate to Y100 at a rate of 1.5 per cent per month whatever they did.

Now, however, the Group of Seven's ability to assure the markets that the dollar will not fall below the level declared to be appropriate at the Louvre is held responsible for the dollar rising higher than they want. (Strangely, governments do not seem to have the same ability to convince the markets that the dollar will not rise above the top of its target zone).

The truth lies somewhere between Feldstein's original and revisionist positions. Governments do have some power to influence exchange markets. The direction of recent interventions suggests that this helps explain why the dollar is so much less overvalued now than it was when Feldstein was chairman of the Council of Economic Advisers and the dollar was left to market forces. But they do not have the ability to guarantee that the rate will not fall below a certain level, still less to convince markets that it will not.

The policy needed to get the dollar back down to a sensible level is not a return to *laissez-faire* in the currency markets but adoption and implementation of a comprehensive set of principles for policy co-ordination on the lines that I have helped develop elsewhere. (J. Williamson and M. Miller, Targets and Indicators: A Blueprint for the International Co-ordination of Economic Policy, 1987). Two of these principles are of particular relevance.

One says that the (published) target zone should change over time to offset differential inflation. Feldstein is quite correct to say that if the right yen-dollar rate at the time of the Louvre was 130, then the right rate now is 120 or less. If the G-7 emphasised this, it would eliminate any danger that the high nominal interest rate needed to produce a given real interest rate in a high-inflation country would act as a magnet for foreign capital because the market would be assured that the excess interest payments would be offset over time by currency depreciation.

The other principle says that fiscal policy needs to be co-ordinated too. The primary failure of the Louvre was that it did not contain meaningful commitments on fiscal policy. Japan did introduce a useful fiscal stimulus a few months later, but the US is still pussy-footing instead of adopting the decisive restraint that is needed. Once again, it seems rather clear that the needed action is more likely to be promoted by strengthening policy co-ordination than by dismantling it.

John Williamson,
Institute for International Economics,
12 Dupont Circle, NW,
Washington DC

From Mr David Morrison.

Sir, While wholeheartedly agreeing with Mr Feldstein that fixed exchange rates are inappropriate for the world economy, several of his claims are hugely inaccurate and most of his reasoning is thoroughly confused.

The first incorrect allegation is that central bank intervention to suppress the dollar ended a few weeks after the September 1989 G-7 meeting. Anyone who has been awake since the start of 1990 knows that the Bank of Japan has spent much of the first quarter selling substantial amounts of dollars. The Bundesbank also engaged in several bursts of aggressive and gratuitous dollar selling in January and February even though the DM/$ rate has hardly moved since end-1989.

Secondly, Mr Feldstein's claim that the dollar is overvalued is unsupportable. Our own competitiveness calculations suggest that purchasing power parity (PPP) would hold at Y/$209 and DM/$2.34. While not touting PPP as a sensible measure of medium-term exchange rate "equilibrium," we have not seen, or heard of, any calculations which would suggest that the dollar is expensive relative to today's spot rate.

Thirdly, Mr Feldstein claims that the US bilateral trade deficit with Japan has been stuck at $50bn since 1986. It has not. The bilateral deficit peaked at $52bn in 1987, fell to $45bn in 1989 and is at present running at no more than a $40bn annual rate. It is slow but it is not stuck.

Furthermore, the US trade balance with the European Community has swung from a $16.5bn US deficit in 1986 to an estimated $6bn surplus in 1989. If bilateral trade balances were critical, which they are not, why is Mr Feldstein not calling for a higher dollar against the D-Mark?

David Morrison,
Managing Director,
Goldman Sachs International,
5 Old Bailey, EC4

Stopping the forces' outflow

From Mr Charles Grey.

Sir, Your editorial comment ("New choices in defence," April 3) draws attention to the alarming outflow of servicemen on premature voluntary release. It also appears to refute the increasingly expressed, cynical view that the Government accepts this bloodletting because it foresees the need to remove forces from Germany to a UK without spare barracks.

You point out that the best people go first and that includes the most employable. They have had heavy public investment in their training (last year's training bill was £1.4bn). Even much reduced forces must spend again on replacements for such key people.

My association is deeply concerned over the principal cause of this problem, as it bears on the Army and parts of the Royal Air Force. Our researches, with both serving and ex-service families, convince us that most leave in order to join their contemporaries on the housing ladder. The alternatives of separation or absentee landlordism have been demonstrated failures; even for those who can afford to buy while serving.

Only by becoming civilians can servicemen freely enjoy the government assistance available to 90 per cent of the population through mortgage relief, housing association discount or council house purchase. Only this step can assure them of a home later in life.

The cost of providing similar taxation reliefs, against savings for future house purchase, for those occupying service quarters, is small compared with the training bill. We must be prepared to spend in order to save.

Charles Grey,
Controller,
Soldiers' Sailors' and Airmen's Families Association,
19 Queen Elizabeth Street, SE1

Profit and charitable investment

From Mr Richard Best.

Sir, The dilemma facing the Church Commissioners, to which the Bishop of Oxford is drawing attention ("Bishop to test Church on finance," March 27) faces other major charities which are also investors. Is it possible to invest in ways that secure the maximum return and at the same time produce direct benefits to society?

The Joseph Rowntree Memorial Trust has devised a model for investment in low-cost rented housing. This is intended to provide a high yield but also to combat the social problem of acute shortages of affordable housing. The trust hopes the Church Commissioners will consider an investment of this kind.

We have set aside £10m for investment in housing association schemes. We will fund that part of each home which is not covered by Housing Association Grant (paid through the Housing Corporation to the association). The terms will be based on an index-linked coupon of 4.25 per cent, but with the capital linked to increases in house prices.

This combination of rising income, plus capital growth based on property values, produces a total real return which may well out-perform the stock market. If this kind of investment had been available for almost any 20-year period starting in the 1950s or later, it would have out-performed investment in equities. Yet by providing housing associations with a low-start loan – in place of mortgages at over 15 per cent – affordable rents can be achieved for those with low incomes.

Our conclusion is that investments can assist charitable activity and be profitable.

Richard Best,
Director,
Joseph Rowntree Memorial Trust,
Beverley House,
Shipton Road, York

FINANCIAL TIMES
Monday April 9 1990

European bank talks under way

CENTRAL bank governors from the European Community will start discussions tomorrow on preparing statutes for a European central bank, writes Peter Norman, Economics Correspondent.

The discussions will take place in the regular monthly meeting of the committee of EC central bank governors in Basle, Switzerland. They are intended to result in a draft constitution for the central bank before the start in December of the EC's intergovernmental conference (IGC) on steps towards economic and monetary union (EMU).

It is understood the bankers' plan was endorsed by EC finance ministers at their informal meeting at Ashford Castle in Ireland just over a week ago.

It represents a further involvement of the central bankers' group in the deliberations on taking economic and monetary union beyond stage one of the Delors Committee report on EMU. Only stage one, which stops short of moving the EC towards a single currency and central bank, has been adopted as policy by all EC member states.

The bankers' committee, which is chaired by Mr Karl Otto Pöhl the Bundesbank president, is already exploring ways of harmonising monetary policies in the individual member states. The Bundesbank is expected to push hard for the projected European central bank to be independent of political interference.

The work on the statutes of Eurofed (as the EC Commission has dubbed the projected European central bank) could put Mr Robin-Leigh Pemberton, the Governor of the Bank of England, in a difficult position. The British Government does not accept stages two and three of the Delors process and their goal of a single currency and central bank for the EC.

Paribas reopens Navigation Mixte talks

By George Graham in Paris

NEGOTIATIONS have reopened between Paribas, the French investment bank, and Compagnie de Navigation Mixte, the industrial conglomerate for which it bid unsuccessfully last year.

The two sides have been in deadlock since their fierce FFr26bn (£2.8bn) takeover battle last October and November. However, talks were held last week between Mr Marc Fournier, chairman of Mixte, and Mr Michel François-Poncet and Mr André Lévy-Lang, who have headed Paribas since the end of March. Further talks are expected to be held shortly.

After the autumn battle, Paribas ended with 40 per cent of Mixte, while Mr Fournier built a stake of more than 12 per cent in Paribas. That has presented the investment bank with a potential obstacle to its plans to change its statutes to give it a two-tier management structure.

Paribas proposes a supervisory board headed by Mr François-Poncet and a management board headed by Mr Lévy-Lang, who is head of Paribas's principal financial services subsidiary, Compagnie Bancaire.

This proposal will require a two-thirds majority at an extraordinary shareholders' meeting on May 30.

Paribas's anxiety has been increased by the build-up in the stake held by Assurances Générales de France (AGF), the state-owned insurance company chaired by Mr Michel Albert. AGF last week announced that it had increased its holding in Paribas to 9.8 per cent and Paribas officials have done little to disguise their nervousness.

AGF officials say they intend to seek permission to increase their stake above 10 per cent – necessary because Paribas is a bank – although they have no intention of using this permission in the short term unless circumstances change significantly.

They say they want Paribas to help them in the development of their international activities – which they want to boost to 40 per cent of their premium income from 25 per cent today – and they also want to develop links with Compagnie Bancaire.

Unlike its fellow state-owned insurance companies, UAP and GAN, AGF has resisted the idea of "bancassurance," or the cross-marketing of insurance and retail banking products, because it sees an inevitable conflict between the bank branch network and its own network of exclusive agents. However, AGF says that Compagnie Bancaire does not present this conflict.

Taiwan to license commercial banks

By Robin Pauley in Taipei

THE TAIWAN Government is expected to approve rules today which will allow the creation of private commercial banks.

The Ministry of Finance is likely to limit the number of new banks to 15 in the first round of licensing but at least twice that number of industrial groups and consortia have indicated their desire to establish commercial banks. Competition for the licences is therefore expected to be fierce.

Former politicians, former finance ministry civil servants and retired state bank chiefs have been tempted by large salaries onto the boards of the new potential banks to help with the lobbying of the finance ministry.

The rules will require:

- a minimum capital of NT$10bn ($379m);
- 20 per cent of a bank's equity must be offered for public subscription;
- the functions and responsibilities of the board of management and the board of directors must be clearly separated;
- husbands, wives and other relatives of bank supervisors will not be allowed to be directors or managers in the same bank;
- the new banks must submit full business plans to the Ministry of Finance;
- the Finance Ministry will retain full audit and inspection rights to each bank.

Several groups have raised more than twice the necessary minimum capital although that alone will not guarantee them a commercial banking licence. They include the Pacific Group, a manufacturing, construction and store conglomerate; Far Eastern, a stores, textiles and cement group; and Tainan, the textiles and cement group. Most of the existing banks in Taiwan are state-owned and controlled. Their over-regulation and outmoded management structures are likely to put them at an immediate disadvantage against the new banks.

The new banks, however, will also be competing among themselves for new customers and the Finance Ministry is expected to need to be vigilant to minimise the chances of any early banking failures as the collapse of a new ventures could precipitate a loss of confidence and a chaotic market.

Anti-trust laws may be eased for US-Japan joint ventures

By Peter Riddell, US Editor in Washington

THE US GOVERNMENT has strengthened its commitment to relax anti-trust laws to assist some joint ventures, as one of the specific initiatives in its structural impediment talks with Japan.

The interim report of the US-Japan working group includes, among a number of US proposals to improve its competitiveness, a statement of administration support for legislation which would reduce uncertainty about the treatment of production joint ventures that enhance competition.

The proposal, foreshadowed by President George Bush three weeks ago, would promote joint production projects that enhance competition while retaining "appropriate safeguards for consumers." At present, the relaxation on joint ventures covers only research and development.

The change follows a review by the Justice Department and is in response to calls by the Commerce Department and several industry groups to allow such joint ventures, especially in the area of high technology, in the face of Japanese and other foreign competition. They have argued that uncertainties under the current law inhibit such ventures.

There is strong support for this change on Capitol Hill and consideration of detailed legislation will start this summer.

Under the US proposal, when an anti-trust lawsuit is filed against such a production joint venture, the courts would be required to take into account its competitive benefits as well as its costs.

Moreover, for production joint ventures which are notified to the Justice Department and the Federal Trade Commission, anti-trust liability would be limited to actual damages rather than the current triple damage liability.

In a briefing on the interim report, Mr James Rill, the assistant attorney-general for anti-trust, said the relaxation applied solely to "legitimate pro-competitive production joint ventures." He stressed that the US remained committed to the principle of effective competition, "in large part because of our anti-trust principle."

Mr Rill said that the talks with the Japanese, held at the end of last week, had not produced any other commitment with respect to other aspects of anti-trust enforcement.

All stages, from the joint research and development activities to the final phase of joint production, will be covered by either the proposed legislation or the existing 1984 National Co-operative Research Act (which covered research and development). US government guidelines will clarify the treatment of such joint ventures under anti-trust laws.

Independent airlines hit by charter slump

By Paul Abrahams in London

BRITISH civil aviation is passing through the most difficult and uncertain climate it has ever had to face, according to Mr Graham Hutchinson, managing director of Dan Air, the UK airline.

Sections of the industry are experiencing substantial restructuring and consolidation following the collapse of the UK charter market and a substantial increase in aviation operational and capital costs. Three UK airlines have failed this winter.

"The industry is alive with rumours," says Mr Michael Bishop, chairman of British Midland Airways, the UK's second largest carrier. "The situation means that everyone is talking to everyone else about possible deals."

The result of these difficulties appears to be that most small and medium-sized airlines are now negotiating with major carriers. International Leisure Group, owner of Air Europe, has said it is looking for a strong international partner to develop its long-haul services. Dan Air is known to have also been holding talks with at least one major European carrier.

A number of non-British airlines already hold stakes in UK-based carriers. SAS, the Scandinavian company, owns a quarter of British Midland, and KLM owns 14.9 per cent of Air UK. British Airways also has a holding in Brymon.

"The big trouble is that government and civil servants became used to working with British Airways when it was a nationalised company," complains Mr Bishop.

"In Europe, the interests of the state and the national airline appear synonymous. But in the UK where there is a substantial second force, the interests of British Airways and British civil aviation are not synonymous," he explains.

The only factor holding up restructuring is the result of two investigations by the European Commission in Brussels. The first is looking at the deal between British Airways, KLM Royal Dutch Airlines and Sabena, the Belgian carrier to create Sabena World Airways. The second is examining the merger between Air France and UTA, the other main French carrier.

Bumpy ride for small airlines, Page 8

Nepal's ban on political parties ends

Continued from Page 1

Although the official death toll is six, unofficially the toll is put as high as 200.

In the last few days the army took control of law and order for the first time since the pro-democracy movement got under way.

Tourists evacuated from Kathmandu yesterday told of widespread resentment against King Birendra.

Several hundred of some 2,000 stranded tourists – mostly from Britain and the US – flew into New Delhi yesterday. Most were sympathetic to the Nepalese who tried to march to the palace on Friday and were halted by army gunfire.

"The people in the streets seemed only to want to make a statement," said a middle-aged American, "but the army came out with automatic weapons and it got pretty nasty."

An Israeli tourist said he saw soldiers beating civilians with gun butts.

In Kathmandu, airport officials said there would be four more special flights to evacuate foreign tourists today, probably to Bangkok, Singapore and Delhi.

The curfew was relaxed for an hour yesterday to enable people to buy food but tension in the capital remained high as heavily armed troops patrolled the streets.

Friday's violent demonstration came in spite of a royal proclamation which replaced Mr Marich Man Singh Shreshtra as Prime Minister and which said a commission would be formed to look into the political system in Nepal. These moves were interpreted by leaders of the reform movement asattempts to buy time and avoid recognising political parties.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	18	64	Dallas †	F	9	48	Madeira	F	16	61	Prague	F	7	45
Algiers	F	21	70	Dublin	S	9	48	Madrid	C	9	48	Reykjavik	F	4	39
Amsterdam	S	9	48	Dubrovnik	S	18	64	Majorca	F	18	64	Rhodes	C	17	63
Athens	F	18	64	Edinburgh	F	11	52	Malaga	F	16	61	Rio de Janeiro		–	–
Bahrain	S	25	77	Faro	F	17	63	Malta	S	21	70	Rome	F	17	63
Barcelona	F	17	63	Florence	F	17	63	Manchester	F	8	46	Salzburg	C	5	41
Belfast	S	10	50	Frankfurt	F	9	48	Melbourne	C	18	64	S'Francisco †	C	12	54
Belgrade	R	11	52	Geneva	C	7	45	Mexico City		–	–	Santiago		–	–
Berlin	S	6	43	Gibraltar	F	16	61	Miami †	F	21	70	Seoul	S	12	54
Biarritz	S	15	59	Glasgow	F	10	50	Milan	R	12	54	Singapore	F	33	91
Birmingham	F	10	50	Guernsey	C	9	48	Montreal †	S	-2	28	Stockholm	S	6	43
Blackpool	S	9	48	Helsinki	S	3	37	Moscow	F	5	41	Strasbourg	C	7	45
Bombay	S	31	88	Hong Kong	C	25	77	Munich	R	4	39	Sydney	C	24	75
Bordeaux	C	10	50	Innsbruck	C	6	43	Nairobi		–	–	Tangier	C	17	63
Boulogne	F	10	50	Inverness	S	11	52	Naples	F	18	64	Tel Aviv	S	23	73
Bristol	S	9	48	Isle of Man	S	8	46	Nassau		–	–	Tenerife	Dr	18	64
Brussels	F	9	48	Istanbul	S	18	64	Newcastle	S	9	48	Tokyo	F	19	66
Buenos Aires		–	–	Jersey	F	10	50	New Delhi	S	31	88	Toronto †	S	-1	30
Budapest	R	6	43	Johannesburg	F	23	73	New York †	S	3	37	Tunis	F	23	73
Cairo	S	29	84	Las Palmas	F	21	70	Nice	F	16	61	Valencia	F	17	63
Cape Town	S	23	73	Leeds	F	9	48	Nicosia	F	19	66	Venice	F	15	59
Cardiff	S	10	50	Lisbon	R	11	52	Oporto	R	11	52	Vienna	R	6	43
Chicago †	C	1	34	Locarno	F	14	57	Oslo	S	6	43	Warsaw	C	4	39
Cologne	F	9	48	London	F	9	48	Paris	F	11	52	Washington †	S	2	36
Copenhagen	S	5	41	Los Angeles †	F	14	57	Peking		–	–	Wellington		–	–
Corfu	F	18	64	Luxembourg	F	7	45	Perth	S	26	79	Zurich	R	5	41

C – Cloudy. Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny. Sl – Sleet. Sn – Snow T – Thunder.
† Noon GMT temperatures

No clear winner in Greek poll

Continued from Page 1

stituencies in the provinces, where Pasok and the Communists fielded joint candidates.

The Moslem minority seemed likely to elect two independent candidates, while the Greens were expected to hold their solitary seat.

The caretaker Prime Minister, Mr Xenophon Zolotas, appealed for a stable government to tackle the country's deepening economic crisis, warning that "Without a steady administration, we face economic disaster."

Almost a year of weak coalition governments has brought the public sector to the brink of bankruptcy.

Industry aims to profit from nature cure in India

By Gita Piramal in Bombay

WHEN the probing microscopes and computers of western science are focused on eastern secrets, the results can sometimes be not only academically interesting but also commercially profitable.

This appears to be the message contained in a new cough syrup based on ayurvedic herbs and developed by Procter & Gamble India, the Indian subsidiary of the Ohio-based Procter & Gamble, the American consumer products giant.

Medicines based on herbs, according to the tenets of ayurveda (a Sanskrit word meaning knowledge of life), have been used in India for over 2,000 years.

Based on such herbs, P&G India has developed Vicks vaposyrup, an ayurvedic cough remedy. "It is as effective as cough syrups containing conventional chemicals used in western medicines but being made out of herbs, it is much safer. Vicks vaposyrup does not contain alcohol nor any toxic substances," claims Mr Gurucharan Das, P&G India's managing director.

Currently test-marketed in the state of Maharashtra, a national launch is scheduled for later this year. There are also plans to register the cough syrup in 11 countries, including the US, making it the first P&G global product of Indian origin.

But when Mr Das first suggested that the company should commercialise the supply of popular herbal medicines, opinions differed widely. Several senior executives were less than enthusiastic about their market potential.

Others questioned P&G India's ability to devise an ayurvedic formulation which could compete with the efficacy of a western drug.

Armed with tacit approval from the American parent company, Mr Das nonetheless staked his Harvard business school whizz-kid reputation on his hunch and went ahead.

He started by hiring Dr Rajgopalan, a biochemist who had worked in Ciba Geigy's laboratories in India for 15 years, with the brief to develop an ayurvedic line of products. By 1984, P&G India had set up the Ayurveda Research Centre, a Rs400m ($24.3m) research and development facility.

In the process, P&G India compiled a unique databank on herbal plants. Based on this information, the company began work on a cough syrup.

Two years of development studies, one and a half years of clinical tests and Rs500m later, P&G India began test-marketing Vicks vaposyrup. With throats perennially parched by pollution, Bombay's harassed consumers picked shop shelves stocking the herbal syrup.

Despite its initial success, P&G India is clearly not taking any marketing chances: the new cough remedy comes with the famous Vicks brand name, neatly tagged on to it. Mr Das offers a slightly different rationale. "In my view, brands by themselves do not sell products. People buy brands for the quality the brand represents."

Apart from its intrinsic qualities, Indian government policies will probably help domestic sales. As an ayurvedic preparation, it will enjoy several concessions denied to conventional cough formulations. A major benefit is that it will be outside the purview of the drugs (prices control) order and can be sold over-the-counter in chemist shops as well as other retail outlets.

Another advantage lies in a clause enabling ayurvedic medicines to claim exemption from certain excise duties. This should make its price highly competitive.

For P&G India, the investment in the new cough remedy is critical to growth. Though highly profitable – the company's return on equity of 38.6 per cent makes it arguably far more profitable than many others with more impressive sales – P&G India hopes that the remedy will raise sales which have remained stagnant for several years.

According to Mr Das, sales had levelled off in large measure "because we had run out of products." In a bid to make up lost time, P&G India has recently introduced several new products into the market which have encouraged the company to set a highly ambitious sales target of Rs5bn by 1995 (last year's sales were just Rs654m).

Can P&G India achieve this? For the anxious managers at the Bombay headquarters, the question will remain unanswered until the national launch indicates an unqualified success.

THE LEX COLUMN

Bad medicine for US industry

Pennsylvania's redneck anti-takeover law is more than just a body blow for anyone wanting to take a run at the state's local companies, such as Westinghouse Electric. It also looks like crowning evidence that the US legal and political climate is swinging decisively against a free market in the control of companies.

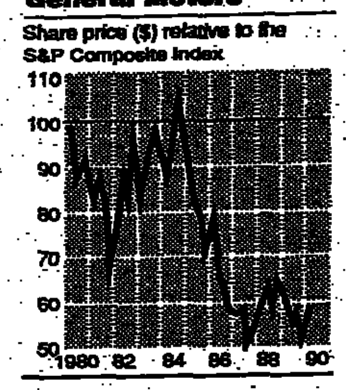
The Pennsylvania measure suggests that state legislators have lost any inhibitions about passing draconian statutes. This is not surprising. The judiciary seems none too keen on takeovers either. Since 1982, there have been at least two US Supreme Court rulings upholding state anti-takeover laws. In the Polaroid case in early 1989, the Delaware courts allowed Polaroid to sell a large line of stock to an employee share ownership plan, effectively blocking a takeover. The last straw was Time/Warner, when a Delaware judge appeared to widen by a mile the rights of board directors to ignore a hostile bid. It is hard to see the US federal government reversing this legal trend. The SEC can huff and puff, but it cannot rewrite constitutional history and stop individual states regulating the internal governance of companies.

The danger is that whatever the excesses of takeover mania, nobody has come up with any other practical method for forcing improvements in US corporate performance. But the dismal earnings record of any number of large US corporations, such as General Motors, IBM and Eastman Kodak, suggest this is an urgent task.

A glib answer is that large institutional investors should elbow their way into corporate decision-making, to make managements accountable. There are signs of this, such as shareholder activism by large state employee pension funds. But in a far-flung environment like the US, where even the identities of shareholders are difficult to get at, this is even harder than in the closer-knit City of London. Putting down resolutions at shareholders' meetings to overturn poison pills and golden parachutes, or to urge Philip Morris to get out of the tobacco business, is all well and good; but it does not make much practical impact on the short or long term running of a business. It looks as if the only thing that would really shake up some US managements is a full-blown recession.

General Motors

Share price ($) relative to the S&P Composite Index



Results season

There has been little to disturb the sleep of the institutional investor in this year's results season. So far, the non-financial stocks in the FT-SE 100 have been producing profits growth of around 25 per cent, dividend increases of 20 per cent and earnings growth of 15 per cent. Although many of the figures came as a relief after the sharp downgradings analysts made in December and January, on average shares fell slightly on the day the figures were announced. Shocks have been infrequent; but when they have occurred they have caused sharp reactions, such as the 14 per cent fall in Cookson's shares and the 30 per cent plunge in those of Mecca.

All that has been proved, however, is what a wonderful year 1989 was. This year should be a different story, although it is hard to tell from chairmen's statements. Many of them have included cautious sentiments, but chairmen may simply have been anxious to avoid hostages to fortune. With results from several retailers and other interest rate sensitive companies still to come, we may yet hear the authentic tones of distress.

The underlying picture has not changed for some months. Small companies, most exposed to interest rates and the UK economy, continue to produce bad news. Larger companies, with overseas operations and export opportunities, produce solid figures. But the vice is still tightening. Few expect interest rates to fall before the end of the year, wage rises are still above the rate of inflation and redundancies are making the headlines once again. Some indicators of the economy's health, such as machine tool orders, are flat on their back. More corporate casualties are inevitable.

With most estimates of earnings growth this year stuck at between zero and 5 per cent, the bulls seem set to rely on a revival of Tory popularity for excitement. Unless, of course, overseas corporations use the hiatus in profits growth to grab a strong position in post-1992 Europe; and there is little sign of that so far.

German shares

West German equities are no laughing matter. But with the stock market-wide DAX Index still 30 per cent higher than before the Berlin Wall fell, some prices are hard to take seriously. Never mind the big picture, with all the economic and political worries and the prospect of Mr Helmut Kohl battling it out with Mr Oskar Lafontaine for the Chancellorship later this year. From a strictly bottom-up point of view, there are sectors of the market which are looking overdue for a short-term correction at least.

It is just about understandable that Axel Springer Verlag is trading on a multiple of about 28 times estimated 1990 earnings. A takeover might happen one day; and the potential market in the East for what Bild has to offer is not small; though newsagents are thin on the ground on the Unter den Linden.

It is less obvious why Binding-Brauerei sells on a prospective p/e of 38. Eager though East Germans may be for the delights of the West, Binding's non-alcoholic beer may not be their first choice. As for the retailers, Kaufhof, Horten and Karstadt, with p/e ratios in the 30s, look fairly priced only if they are about to find a way of liberating all the value locked up in their properties. Stockbrokers could be right in claiming that Kaufhof has DM650 per share of net assets to back up its share price of DM697. Just when all that will come through to shareholders is quite another matter.

The pick of the bunch are the builders, like Holzmann (p/e 54). This is where the market likes to have it both ways. When Frankfurt bankers want to tell you why economic reunification is easy, they say that East Germany has only same population as the state of Hesse. Logically, then, rebuilding East Germany is no huge task either. If Holzmann were to double its profits in four years, its shares would still be on 23 times 1993 earnings. Even Nixdorf had trouble satisfying expectations like that.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday April 9 1990

INSIDE

Hoylake's hopes rest on Californian ruling

This afternoon in California, the state's insurance Department will deliver a ruling on whether the French insurance group Axa would be a suitable buyer for BAT's Farmers Group subsidiary should BAT be taken over by Sir James Goldsmith, the UK financier. Axa is seeking permission in nine separate states to buy Farmer's as part of Sir James's plan to "unbundle" BAT Industries. Today's ruling is crucial, reports Nikki Tait, as California is well able to assess the financial arguments which are the nub of the matter. Page 23

Living up to the corporate code

Europeans often see the vogue for corporate mission statements as part of the hyperbole of American business. Yet properly handled, the formulation of a values statement, greatly benefit a company's cohesion and morale, and its external reputation. Some European companies are starting to appreciate the advantages that drawing up such a statement can provide, as Christopher Lorenz reports in the Business Column. Back page

Hard to impress

Aquascutum is not impressed by the news that its dissident shareholders include Gordon Getty, part of the American oil family and one of the world's richest men. A spokesman for the British classic clothing company said: "We welcome him as a customer but cannot see what he brings to a team already short of retail experience." Page 23

Just good friends?

Talks between Olivetti and Philips about co-operation come as the European computer industry is busily restructuring itself. Both companies have admitted they want to build links with European competitors. Alan Cane asks whether Olivetti's vague description of establishing "sectoral partnerships" with Philips could presage a more wide-ranging combination of businesses. Page 22

Market Statistics

Companies in this section

Uproar in the aero-engine global village

Charles Leadbeater and **Roderick Oram** report on MTU's switch of allegiance from GE to Pratt & Whitney

The aero-engine industry is like an international village. The aristocracy are the three companies which dominate the industry, General Electric and Pratt & Whitney of the US and Rolls Royce in the UK.

The gentry are the six or so smaller companies such as Snecma of France and Motoren-Und Turbinen-Union of West Germany. In the shadow of the large landlords are the small holders, the hundreds of component makers and sub-contractors.

Last week the village erupted in uproar at an almighty scandal. For MTU, a member of the gentry had the effrontery to challenge the social order by breaking off its 25-year-old relationship with General Electric and switching its allegiance to Pratt & Whitney, GE's arch rival.

MTU's insubordination stung GE's pride. On April 2 it lodged a $1.15bn law suit against the company and Daimler Benz its parent, accusing the West Germans of fraud, misappropriation of trade secrets, misrepresentation, breach of contract and breach of fiduciary duty.

The suit sets up a bitter transatlantic legal battle between two of the world's most powerful industrial corporations, which could turn into a lasting feud. As most leading corporations are hungrily searching for alliances to help share technologies and markets, the acrimonious end of GE's relationship with MTU is a sharp warning of the potential downside.

Central to the partnership's collapse were two factors: how the partners shared technology, and the way they shaped the alliance to further their strategic ambitions.

GE wanted a partner to share the risks and research costs of developing the next generation of high-thrust engines, its GE90, to carry wider-bodied airliners longer distances. In exchange, MTU got access to GE's expertise and a share of the market.

A lot turns on how allies manage this exchange. If the dominant partner is too open it risks giving away precious know-how. If it is too closed it will be in danger of alienating its partner.

Companies such as Boeing have gone to great lengths to protect their proprietary technology. In the mid-1980s, Boeing signed up the heavy industry divisions of Mitsubishi, Fuji and Kawasaki, the Japanese companies, as 25 per cent partners in the development of the 7J7 airliner.

At the height of the project there were more than 120 Japanese engineers at Boeing's Seattle plant, but they were denied access to key areas because Boeing feared a steady seepage of technological expertise in manufacturing, wing design and logistics.

The collapse of a relationship

- 1965–GE & MTU form link in aero engine manufacture.
- 1981–agreement to develop, jointly manufacture GE CF6-80C engine.
- Mar 1985–Daimler Benz takes control of MTU.
- 1988–MTU begins talks with Pratt & Whitney.
- Dec 1988–letter of agreement between GE & MTU to cooperate on next generation high thrust GE90 engines.
- June 1988–memorandum of understanding confirms Dec agreement valid till 1992; sanctions limited cooperation between MTU & P&W.
- Oct 1989–GE & MTU agree to share business & technological information, approved by respective boards.
- Jan 1990–MTU & GE announce renewed partnership.
- Mar 1990–MTU tells GE of its intention to cooperate with P&W.
- April 1990–GE lodges suit.

Judging by GE's 24 page suit, filed in a New York court, it could not be accused of being too closed. If anything it was too open. The suit says GE gave MTU highly-sensitive and detailed design specifications for the thermodynamics, size, thrust-ratios, component configuration, advanced materials and fuel efficiency of the GE90.

Boeing denied its Japanese partners computer simulations of how the 7J7 was intended to perform. GE says it gave MTU computer simulations of the GE90.

The GE suit alleges that MTU now has all the information it needs to build a competitor to the GE90, at vastly reduced research costs. That suggestion brought an indignant response from United Technologies, Pratt & Whitney's parent, which said: "We would neither want or need GE's research."

As it would have been difficult for GE to cordon off parts of its technology, its other option would have been to enmesh MTU more deeply within the relationship through cross-shareholdings.

The ultimate protection for any alliance is its strategic rationale. If the alliance does not serve the partners' strategic goals there is very little that will keep it alive.

The strategic core of GE's relationship with MTU seems to have rotted away. As one veteran New York aerospace analyst put it: "The mere fact of a law suit suggests a misunderstanding of large proportions."

If MTU had stayed with GE it would have been consigned to a sub-ordinate role in a highly-risky project to develop an entirely new engine. MTU would have been stuck in the industry's second division.

The relationship with Pratt & Whitney is intended to be much more a partnership of equals, with cross-shareholdings and a wider pooling of activities. It offers MTU the chance of joining the big league.

The break up leaves GE looking embittered, indignant and embarrassed. It has lost two partners in the space of four years – a partnership with Rolls Royce broke up in 1986 after Rolls Royce beat GE to a prestige order to equip 16 Jumbo jets for British Airways.

The court documents show how exposed GE was to MTU and yet it failed to adequately protect against its collapse.

With the GE90 project well under way the company is in need of another partner. One possibility is that Japanese companies which are showing a growing interest in aerospace, may be attracted as collaborators. If that were to happen, MTU's decision to break with GE could be seen in 15 years time as the catalyst for a much wider restructuring of the industry.

A usefully humdrum meeting in Paris

By Anthony Harris in Washington

THE predictably unstirring news that the finance ministers in Paris "reaffirmed their commitment to economic policy co-ordination, including co-operation in exchange markets" is apparently designed to comfort both the friends and opponents of policy co-ordination.

Like a statement from an Anglican Synod, it affirms faith without threatening any practical consequences. On a closer reading, it does contain a warning to currency dealers: that the central banks will continue to get together from time to time.

Experience shows that co-ordinated intervention does impress the markets; and nothing much else does.

It is better regarded as a deterrent than as an approach to market management, since displays of unanimity are only impressive because they are relatively rare. In any case, few ministers believe that they can effectively manage markets, or would know what to do with this power if they suddenly acquired it; so the communique looks realistically modest.

Even market operators know that markets occasionally chase their own tails, and expect the authorities to do something to stop them; so if that was all the Paris meeting concluded, the ministers might just as well have saved their air fares.

However, there is another useful purpose to such meetings which will never be mentioned in a communique, because, to admit it, might destroy the confidence which gives intervention what power it has.

To put it crudely, the popular illusion about these meetings is that they are intended to teach politicians to practise economics. Their actual effect, by contrast, is to remind central bankers that they are practising politics. I hope that this assertion may look sensible by the end of this column.

The trail starts, though, in the realm of theory. There is a whole policy industry, based mainly in Washington, which has a vested interest in arguing that, given the right advice and formulae, the ministers could achieve Utopian results.

They could still the turbulence of the markets, and supply more investment capital at lower interest rates.

This is contended not only by academics with much past intellectual work which might otherwise look out-dated, but by institutions – notably the IMF - which are themselves in danger of looking irrelevant in the modern world.

They all purchase influence partly by flattering ministers with tales of the wonders they have already achieved with the Plaza and Louvre accords. There is just enough truth in their case to lend it some plausibility. The markets have become less turbulent than before, and part of the remaining rise in volatility and in real interest rates in recent years undoubtedly is due to uncertainty.

Uncertainty imposes a risk premium on interest rates, and permits the misalignment of prices between markets which gets both academics and trade negotiators so excited.

Market smoothing reduces uncertainty. Proclaimed, credible rules might work even better, of course; but some of the academic analysis behind proposed rules of this broader kind seems to be based on nostalgia, rather than on a clear look at the current world. It looks back to our lost Bretton Woods innocence – the time, not at all incidentally, when the IMF really did rule the tide of international capital – for a cure to our present-day disorders.

It is easier to understand the world by explaining why it is different from the past, and has in some sense been turned upside down.

In the reconstruction decades after the war, the main job of policy was to create conditions in which a world of international specialisation could be re-created from the ruins.

Goods had to be made, and allowed to flow freely. Nobody worried about capital mobility, because there was a natural one-way flow from the US to all other countries.

The job of the IMF was to maintain pressure for "basic balance" – an attempt to ensure that while countries would finance solid productive investment, they could not fritter away scarce international capital by borrowing to finance consumption.

This was a disciplinarian code, a much softer version of the Stalinist austerity which ruled reconstruction in the communist world.

Western governments chafed at the restraints almost as soon as they became rich enough to rely on their own savings; the system could not outlive its success, any more than Stalinism could outlive its failure.

We live now in a world in which capital flows freely, but the movement of goods has more and more to be negotiated. Trade purists are inclined to regard the restrictions which now rule as a form of political pollution, but the truth is that some poorer countries have imitated the rich so successfully that their production is seen as a threat.

We therefore try to buy time, while their living standards catch up with our own. We, then, seem to have an Augustinian attachment to the free market ("make us virtuous, but not yet"). It is only the ex-communists who have a full Puritan devotion to the benefits of market freedom, hair shirts and all.

It is as well that those who make operating rules for policy – even when they meet in Paris for partly devotional purposes – remain aware of what they really practise as well as what they preach: and what they practise is political compromise.

In the practical world, there is a lot to be said for the humdrum. Pundits may "know" what exchange rates ought to be, or what capital flows are appropriate to compensate for the differences in national taste, prosperity and demographics, or what is the appropriate level for real interest rates, and long to be given the power to impose their views. Humble ministers and bank governors make no such claims; they know instead what pressures must be appeased, what prudence insists on. Those who looked to Paris for new rules – or new freedoms – have been disappointed. A good thing too.

Economics Notebook

Stuck on a point of pecking order

AT SOME point in the next four weeks, the UK and France will have to resolve their dispute about who goes where in the pecking order of the International Monetary Fund (IMF).

The issue was not addressed at the weekend Group of Seven (G7) meeting in Paris. But other members of that select group of leading industrial powers are becoming increasingly frustrated at the apparent inability of Paris and London to reach a settlement.

The problem goes back to Japan's wish to move up in the rankings of the IMF to number two, behind the US, to reflect its importance in the world economy.

At the end of last year, the UK, the current number two, signalled that it was prepared to go down to number four, behind West Germany, by cutting its share of fund quotas or resources to around 6 per cent from 6.9 per cent.

The present difficulty arises because France – the current number four – wants to keep that place in the rankings. But France's current quota of about 5 per cent would have to be raised if the UK's offer were to be the basis of a settlement that met France's wishes by giving both countries joint fourth position.

It is at this point that the interests of other members of the IMF get involved. Many other countries, particularly in the Third World, want higher quotas. An increase in France's quota would make it more difficult to share out the rights and responsibilities of IMF membership among these nations.

The dispute has been relatively low key so far. But it will become more important as other problems that have been holding up a planned increase in the overall resources of the IMF come closer to solution. It is hoped that the IMF's policy-making Interim Committee can agree the much delayed increase in quotas or resources at its next meeting in Washington early next month. It appears that most big countries are now prepared to support an increase of about 50 per cent in quotas from their current level of 90bn special drawing rights ($117bn or £71bn).

Another difficult issue that has been holding up agreement – that of how to handle the arrears owed to the IMF by some of its poorest members – also appears closer to solution. Only a few technical problems are said to stand in the way of a "stick and carrot" formula that would give such countries the right to earn IMF financial support from its Enhanced Structural Adjustment Facility in return for carrying out economic reforms. This support would be backed by gold deposited in the IMF by its members.

Opinions are finely divided over whether the UK or France is most to blame for the pecking order problem.

The cognoscenti of international monetary diplomacy recognise that the UK has made a handsome offer to cede its present position in the IMF to Japan even though its proposed quota share overstates the UK's position in the world. This group, which includes some senior monetary officials from other big industrial countries, objects to France's wish to increase its stake in the IMF as running counter to the long-term objective of having quotas that fairly reflect the position of countries in the world economy.

Among the non-cognoscenti, a group which includes most finance ministers, the UK's position looks weaker. France has a somewhat larger economy than Britain and appears to have a fair claim to retain the number four slot.

The pecking order issue has become a matter of interest at the very highest political level in both Paris and London. That is one reason why a compromise is so difficult.

Another underlying consideration hindering a deal may be concern about the consequences of eventual Soviet membership of the IMF.

The USSR would most probably become one of the "big five" in the fund, with its own executive director, and shunt whichever country was in fifth position at the time of its joining out of this top group.

A more immediate reason for the dispute dragging on is the opportunity it gives for horse-trading on other matters. Both the UK and France want to provide a home for the planned European Bank for Reconstruction and Development to aid eastern Europe. France also has a candidate for the EBRD top job in Mr Jacques Attali, the close economic aide of President Mitterrand. The solution to the pecking order problem could well lie in further negotiations over the EBRD.

● The latest G7 meeting in Paris is unlikely to go down in history as a high point of economic policy co-operation, but its host, Mr Pierre Bérégovoy, the French Finance Minister, had some cause for satisfaction.

The French economy is performing extremely well at the moment. Last week, France was able to trim its interest rates by a quarter of a percentage point without any serious risk to the franc.

Indeed, the meeting heard that France is likely to better West Germany's price performance this year with French consumer price inflation expected to average 2.5 per cent compared with 3 per cent on the other side of the Rhine.

Peter Norman

THIS WEEK

THE OUTCOME of Saturday's Group of Seven (G7) meeting in Paris is expected to influence market sentiment today – although the meeting had no visible effect on it last week.

Expectations are focusing on the efforts of the G7 finance ministers and central bank governors to tackle weakness in the Japanese yen. The currency is now almost 10 per cent lower against the dollar than at the beginning of the year.

Meanwhile, although European bond markets have risen quite sharply, the uncertainty over the German situation, coupled with the unpredictable behaviour of the Japanese stock market, persists as strongly as ever.

Analysts describe the German situation as so fluid as to defy forecasting – although Warburg's research indicates the D-Mark will remain relatively stable against the dollar for the rest of the year.

German bund yields are expected to rise not so much in expectation of higher inflation following unification, but in concern over an enlarged budget deficit. Import prices have fallen for five consecutive months, while commodity prices are weak. Indicators of inflationary developments are expected to ensue from the wholesale and producer price data on Friday.

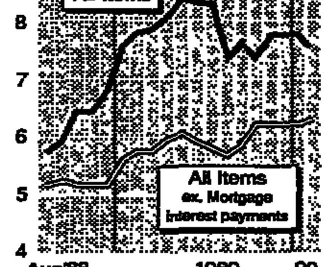
In the UK, the markets are preparing to hear bad news about inflation on Thursday with the publication of the latest retail prices index.

Higher mortgage rates will probably have boosted UK inflation in March, and the index will also be lifted by higher excise duties, utility charges and the introduction of the poll tax.

However, some economists are predicting inflation will decline after these latest figures. Also out on Thursday are the labour market statistics. A fall in employment in manufacturing is expected. On the same day, the markets will hear whether the rate of underlying average earnings will lift above 9.25 per cent. IDEA, the financial research company, says the median expectation is for no rise in March.

RPI

% change over previous year



Other events and statistics, with IDEA median forecasts in brackets, include:

Today: UK, provisional producer prices index input (0.9 per cent) and output prices (0.4 per cent) for March. Central bank governors of Group of 10 countries hold regular monthly meeting in Basle.

Tomorrow: Basle, committee of European Community central bank governors, monthly meeting. Canada, housing starts, March (210,000).

Wednesday: No statistics scheduled.

Thursday: UK, retail prices index, March (a monthly rise of 0.9 per cent). Unemployment (-10,000) and vacancies (10,000) for March, average earnings (9.25 per cent) for February. Australia, March unemployment data. France, consumer price index, March (0.2 per cent). Japan, machinery orders, February, and trade balance, March (Y5bn). US, retail sales, March (0.2 per cent).

Friday: Japan, wholesale price index, year-on-year, March (0.5 per cent). Capacity utilisation, February, (102.7). US, producer prices index, (0.1 per cent), and business inventories, February (0.1 per cent).

US MONEY AND CREDIT

Outlook no clearer after jobs data

THE MAIN event affecting the US Treasury market last week was the release on Friday of March employment figures. The non-farm payroll increased by only 26,000 last month, much less than the 150,000 to 200,000 forecast and considerably below the gains of more than 300,000 in both January and February.

The figure for average hourly earnings, which jumped by 4 per cent, also received attention.

A straw poll of economists' reactions to Friday's figures shows that the outlook for interest rates has become no clearer and that Wall Street remains divided on where the economy is heading.

At stockbroker James Capel, Mr Geoffrey Dennis and Mr Stephen King argue that the US employment release was dramatic confirmation of the distorting effect of winter weather patterns, but that the small gain in the non-farm payroll did not signal a new weakening trend in the economy and that the US Federal Reserve will not ease monetary policy in response.

Salomon Brothers' credit markets team agrees that Friday's figures do not signal renewed economic weakness, but its conclusion is different. A picture of moderate economic strength is emerging, which will encourage a bias towards a more restrictive monetary policy. "Some policy makers already sense that inflation is now a greater risk than economic weakness," Salomon said.

A third view comes from Donaldson, Lufkin & Jenrette. This brokerage house argues that the March employment report greatly enhances the outlook for fixed income securities and predicts that interest rates along the yield curve will be lower at the end of this year compared to those at the end of 1989. This house does, however, acknowledge the emergence of a hawkish group within the Federal Open Market Committee at the February 6 to 7 meeting which favoured an immediate firming of monetary conditions.

Mr Mark Cliffe, economist at the Nomura Research Institute, gives a view from Japan. He reckons that what the US is experiencing, and will for some months, is "slugflation" – a combination of sluggish growth and stable inflation.

At home, it seems there is little clear justification for the Fed to move monetary policy in either direction, giving no sense of direction for the Treasury bond market. However, in the ebb and flow of opinion, there appears to be an underlying sense that inflation is more of a problem than Wall Street had anticipated and than the Fed would like. The core rate of inflation seems to be hovering around 4.5 per cent.

Nevertheless, bonds rallied last week for a host of international reasons, notably plunging Japanese stock prices and the concomitant strength of the dollar. The long bond surged by more than a point merely on rumours that a Japanese firm might be in trouble. It turned out that there was a speculative entity which could not pay for a small amount of stocks it had ordered, and markets around the world heaved sighs of relief.

The episode illustrated that, for all the resilience of the US stock market – more properly blue chips – in the face of Japanese jitters, no world market can insulate itself from what is happening in Tokyo.

Japan will again be the focus of the US bond market early next week in the wake of the Group of Seven meeting at the weekend. What normally happens on these occasions is that currency traders come back to their desks, refreshed from the weekend, and set about confounding whatever the G7 has decided to do.

In this case, it is likely that the dollar may initially be sold in response to a restatement of a desire to boost the yen, but that traders will then start buying dollars aggressively to – in that well-worn phrase – "test the resolve of the central banks."

The consensus of opinion last week on what new currency initiatives may emerge from the meeting was that it would be more of the same: co-ordinated intervention on foreign exchanges. One point which cropped up repeatedly was that, if the Fed was worried about inflation, it would be loathe to ease monetary conditions purely to help the Japanese with the weak yen.

A home-grown debacle will also be in focus this week: the ever more expensive bail-out of the thrift industry. Not only does the bond market have to absorb the sale of $3.5bn of 40-year bonds sold by the Resolution Trust Corporation (RTC) tomorrow but the bill market will be hit by additional financing. Today, the Treasury will sell $16.4bn in three-month and six-month bills.

The RTC is determined to accelerate its bail-out of ailing thrifts. In its first seven months, RTC merged or closed down 52 thrifts. It intends to deal with 140 more by June 30. The estimated cost of this is $19bn, although, as Salomons points out, that figure could end up being more than doubled because RTC will not be able to sell the assets bought immediately.

One factor mitigating this dramatic increase in the RTC's financing needs is that bill offerings normally drop at this time of year. Another is that the jump in bill issuance to provide working capital to RTC coincides with a wave of maturities of cash management bills, so funds freed in this way could be channelled into the high weekly bill auctions.

Janet Bush

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.25	8.25	8.25	9.92	8.00
Three-month Treasury bills	8.01	8.05	8.00	9.11	7.20
Six-month Treasury bills	8.15	8.22	8.16	9.37	7.18
Three-month prime CDs	8.70	8.40	8.30	10.35	8.10
30-day Commercial Paper	8.30	8.35	8.18	9.95	8.05
90-day Commercial Paper	8.27	8.30	8.13	10.05	8.10

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	96¾	+⅓	8.60	8.68	8.56
20-year Treasury	106¼	+1	8.65	8.77	8.69
30-year Treasury	99⅓	+1¼	8.51	8.62	8.54

Money supply: In the week ended March 26, M1 rose $2.3bn to $804.8bn

NRI TOKYO BOND INDEX

December 1983 = 100	5/4/90	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	141.94	7.47	142.05	145.45	149.59
Government Bonds	139.62	7.31	139.86	144.58	149.65
Municipal Bonds	143.24	7.55	143.39	146.63	151.12
Govt.-guaranteed Bonds	145.63	7.59	145.66	148.63	152.27
Bank Debentures	139.64	7.65	139.50	140.34	143.60
Corporate Bonds	145.38	7.52	145.73	150.09	152.28
Yen-denom. Foreign Bonds	151.96	7.57	151.75	156.27	156.93
Government 10-year†	6.75		6.65	6.01	5.16

(Columns 5/4/90 to 26 wks ago under: PERFORMANCE INDEX)

† Estimated par yield

Source: Nomura Research Institute

Matif to install Globex

By Deborah Hargreaves

THE FRENCH markets' regulatory body has approved Globex, the futures screen trading system developed by the Chicago Mercantile Exchange and Reuters, for use by the Matif, the Paris futures market, when its trading floor is closed.

The Matif will begin trading its contracts on Globex next year, after the system starts up in Chicago at the end of June. Globex screens are expected to be installed in Paris by the end of the year.

Matif will initially list its 10-year notional government bond and Paris interbank three-month interest rate futures on Globex. The French exchange is so far the only international market to join Globex. Talks with other exchanges have been put on hold while the CME discusses a merger of its screen system with Aurora, developed by the Chicago Board of Trade.

The Matif currently operates a telephone market when its trading floor is closed. However, French regulators wanted the exchange to develop a more transparent market for out-of-hours trading.

UK GILTS

Some buyers appear despite gloom

LONDON cleared up the mess from the riot against the poll tax last week; Mr Norman Willis, general secretary of the Trades Union Congress, admitted he was worried about rising wages; the Governor of the Bank of England said that monetary policy had been beset by policy mistakes; and a small earthquake shook Wales.

Against this background it was a surprise to many that money started to come back into gilts after months elsewhere. Sterling's unexpected strength, and the continuing positive reassessment of the Budget, were both supportive. The Treasury 11¾ per cent 2003/2007 ended the week at 99¼ to yield 11.85 per cent, while the Treasury 12 per cent due 1995 was at 97⅝ to yield 12.75 per cent, both off their highs of the week.

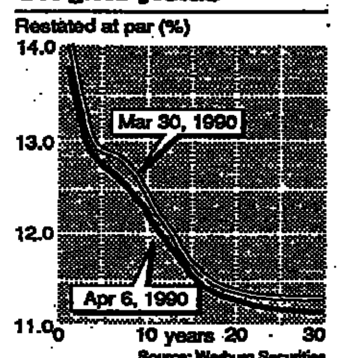
Some of the market's rally came from those who were leaving the German bund market, said Mr John Shepperd of Warburg Securities: "But more significantly, there has been some straight buying."

There was some disagreement about where the money went – some analysts said it went into the short end, others that it was in medium-term stocks – but the whole market benefited. The weakening of US Treasuries late on Friday took some of the edge off the rally.

Much of the buying seems to have been from institutions which had kept their money in cash, and were gambling that now was the time to put a toe into the water. "Nobody's seen very much but there has been some big buying, in the hundreds of millions," concentrated on two or three securities houses, said one analyst. Some selling from Tokyo had been easily absorbed, he added.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

The theory was that if things did improve rapidly, then the best thing to do was to "buy while stocks last," said Mr Peter Clark of Kleinwort Benson: there might not be a better opportunity to get back in.

The question for this week will be how far this can be sustained, and most analysts were not hopeful. "People feel the situation is so bad that there are bound to be better buying opportunities down the road," said Mr Peter Spencer of Shearson Lehman Hutton.

The gilts market may get a fillip from rising bond markets in the rest of the world, but in UK terms there is also a trade-off between fixed-income and equities. Mr Gavyn Davies of Goldman Sachs was blunt: "If we are going to get pleasant surprises on interest rates and inflation, equities will gain. If we are going to get unpleasant surprises, there's no point in going back to gilts."

The uncertainties that dominate the market in its present moribund form could take months to be clarified. The rate of inflation is confidently predicted to approach 8 per cent in March and go above 9 per cent in April.

Wage negotiators are delaying the settlement of pay claims because they are worried that inflation will outstrip pay awards, according to Mr Willis. He said that he was "gloomy on wages" at a meeting of the National Economic Development Council last week.

Equally, the full extent of the rise in public spending will only become clear in the Autumn Statement, if not the next Budget. Mr Davies points out that, so far, the Government has been accommodating rises in nominal spending stemming from the rise in inflation. "Prior to the next election, we will get a rise in real spending as well."

Concerns over spending are one factor behind widespread uncertainty over the Government's funding intentions. Despite statements from the Treasury in the Financial Statement and Budget report, and comments last week from Mr Robin Leigh Pemberton, Governor of the Bank of England, there is considerable speculation about whether a shift in policy is under way towards overfunding.

The Red Book's comments on funding were hardly a model of clarity, analysts say. "There is a suspicion that they want to muddy the water so that they can move the goalposts," said one.

Most wonder how rapidly the surplus will be unwound, and what the response will be to gilt issuance. "The budget surplus came out of a massive economic boom, the size of which the Government totally underestimated," said Mr Ian Abrams of Nomura Securities, a point underlined by Mr Leigh-Pemberton last week. The revenue base is shrinking, and when the pressures for increased spending are added, the surplus could disappear as quickly, said Mr Shepperd.

What is perhaps surprising is the degree of disagreement across the market about the prospects for government activity in the next 12 months. Some analysts think that the Government may start to issue sooner rather than later; others think it will be further ahead, perhaps not in this financial year. Some believe that the Government will take the opportunity to restructure the market towards more emphasis on 10-year maturities; others that the long end would be strengthened, or that the issuing would be along the maturity spectrum.

What these uncertainties underline is that the gilts market is still in no man's land. The prop which sustained it, in the form of buybacks, has gone; but the arrival of new issues has yet to be signalled.

Andrew Marshall

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8⅞ 93	150	95¼	+¼	9.58
ABN 9¼ 94	200	98½	+¼	9.50
AETNA LIFE & CAS 7¼ 16	200	95¼	+⅛	8.19
ANFC O/S FIN 11¼ 94	100	100⅝	0	11.51
ALBERTA PROVINCE 7⅞ 91	750	97¼	+¼	9.17
ALBERTA PROVINCE 9⅜ 95	600	100¼	+¼	9.32
ALCOA AUSTRALIA 11 92	80	100⅝	+¼	10.62
AMERICAN GENERAL 9¼ 95	100	98¾	0	10.18
ANHEUSER-BUSCH 9¼ 92	100	99¼	+⅛	9.44
AUSTRALIA 11 95	200	105½	+⅛	9.58
AUSTRALIA 11¼ 00	100	107⅜	0	10.05
AUSTRALIAN WHEAT 9½ 93	200	99¼	+¼	9.55
AUSTRIA 7¼ 97	200	92⅞	+¼	9.29
AUSTRIA 8½ 90	250	99⅜	+⅛	9.38
AUSTRIA 8⅞ 00	175	94⅞	0	9.40
BANK OF TOKYO 8⅞ 96	100	94½	0	9.63
BANK OF TOKYO 10¼ 99	150	105	+4	9.89
BARCLAYS JERSEY 10⅛ 90	250	100¼	0	9.47
BARCLAYS JERSEY 10⅝ 95	250	104¾	+¼	9.57
BELGIUM 7½ 91	250	97⅞	0	9.34
BELGIUM 9¼ 92	400	99¾	+¼	9.20
BELGIUM 9⅝ 98	250	100⅝	+¼	9.50
BETAWEST PROP 7⅞ 93	150	94⅞	+¼	9.69
BFCE 7¼ 93	100	94⅝	+¼	9.30
BFCE 7⅞ 97	150	91⅞	+¼	9.40
BK NOVA SCOTIA 7⅞ 91 SW	150	97¼	0	9.84
BNP 8⅞ 94	300	97½	+⅛	9.33
BNP 8¼ 93	125	97½	+¼	9.75
BP AMERICA 9⅞ 99	250	100¼	+¼	9.68
[illegible]				
QUEBEC PROV 9 98	200	97	+¼	9.55
QUEBEC PROV 13 90	150	101⅜	0	9.43
QUEENSLAND GOVT 10¼ 95	100	102¼	0	9.70
RALSTON PURINA 11⅜ 95	150	105	+½	10.42
REYNOLDS (RJ) 10¼ 93	100	87⅝	+⅝	15.04
RICHARDSON-VICKS 11½ 93	125	101¼	0	10.93
ROCKWELL INT 9⅞ 90	200	99⅞	-¼	9.95
SAINSBURY 9¼ 96	150	97¼	+¼	9.69
SARA LEE 9⅞ 93	150	98½	+¼	9.88
SAS 10¼ 95	150	100⅞	+¼	9.89
SASKATCHEWAN 8½ 91	150	99¼	0	9.51
SASKATCHEWAN 15 92	150	110⅜	+¼	9.61
SEAGRAM CO 8½ 96	300	93¼	+¼	10.01
SEARS O/S FIN 0 98	500	44⅞	+¼	10.18
SEARS O/S FIN 11⅝ 93	150	104¼	-⅛	10.15
SEARS ROEBUCK 8½ 90	250	99¼	0	9.93
SKANDIA INTL 7¼ 92	200	96¼	+¼	9.54
SNCF 7¼ 94	175	93½	+¼	9.34
STATE BK STH AUST 9¼ 93	100	99¼	0	9.59
STATE EL VICTORIA 10 92	100	100⅜	+¼	9.62
STATOIL 7⅞ 94	200	93¼	+¼	9.83
STH AUST GOVT FIN 8⅞ 93	100	97⅞	0	9.65
SUMITOMO FIN ASIA 11⅛ 92	150	103½	+¼	9.67
SUMITOMO TST 7¼ 91	100	97½	+¼	9.45
SWEDEN 7 92	250	96⅜	+¼	9.20
SWEDEN 8¼ 94	150	95⅞	+¼	9.32
SWEDISH EXPORT 8⅞ 91	200	99½	0	9.18
SWEDISH EXPORT 9⅜ 93	100	100⅞	0	9.25
TAIYO KOBE 7⅞ 94	100	94	0	9.49
TENNECO CORP 10¼ 95	150	100½	0	10.60
[illegible]				
OLYMPIA & YORK 8¼ 96	435	89¾	0	10.59
ONTARIO HYDRO 11⅛ 94	200	106⅛	+¼	9.47
ONTARIO HYDRO 11⅞ 90	200	100⅞	0	9.51
ONTARIO HYDRO 13¼ 91	100	103⅜	0	9.30
ONTARIO HYDRO 15 92	150	110⅞	+¼	9.50
OSAKA PREFECTURE 9¼ 93	140	100¼	+¼	9.25
OSTER KONTROLLBANK 8¼ 93	200	97⅛	+¼	9.28
OSTER KONTROLLBANK 9¼ 92	200	99⅞	+¼	9.20
PACIFIC GAS & ELEC 12 00	75	108¼	0	10.59
PEPSICO 7⅞ 93	200	94	+¼	9.70
PEPSICO CAPITAL 8⅞ 91	100	98¼	+¼	9.76
PETRO-CANADA 7¼ 96	200	90¼	+½	9.44
PHILIP MORRIS 9⅞ 98	200	98⅝	-⅛	10.13
PROCTER & GAMBLE 10 95	150	100½	0	9.85
PRUDENTIAL FUNDING 7⅞ 91	150	98	0	9.40
PRUDENTIAL RLTY SECS 0 99	365	45⅝	+¼	9.46
QANTAS AIRWAYS 8⅞ 96	97	95⅜	+¼	9.68
QUEBEC HYDRO 9⅞ 98	150	101	+½	9.55

	Issued	Bid price	Chg on week	Yield
THORN EMI 5⅞ 04 £	103	100¼	-¼	12.17
TOYO TST & BANKING 1¼ 02	100	62¼	-2	5.64
UTD BISCUITS 5¼ 03 PREF	110	105¼	+⅝	1.11

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALLIED-SIGNAL 6¼ 93	20.0BN	97	-½	7.98
AUSTRIA 4⅞ 96	30.0BN	91¼	+¼	7.32
AVON CAPITAL 6⅞ 91	26.0BN	95¼	0	9.89
BARCLAYS O/S INV 6 96	40.0BN	91½	+¼	7.72
BFCE 5¼ 96	20.0BN	91¼	0	7.60
CANADIAN PACIFIC 6⅞ 96	10.0BN	96¼	-¼	7.56
DENMARK 6¼ 92	20.0BN	99¼	+¼	7.19
EIB 4⅞ 94	40.0BN	90⅞	+¼	7.32
EIB 4⅞ 92	30.0BN	95½	+¼	7.24
ELEC DE FRANCE 5⅞ 96	20.0BN	92¼	+½	7.16
EUROFIMA 6½ 95	15.0BN	97⅞	-¼	7.09
FNMA 6⅞ 92	50.0BN	99¼	+½	7.30
GENERAL ELECTRIC 5¼ 93	35.0BN	94⅞	+¼	7.73
IBM CREDIT CORP 5¼ 91	18.0BN	97⅞	0	8.10
ITT 6¼ 92	20.0BN	97⅞	0	8.16
MCDONALDS CORP 6½ 92	25.0BN	99	+¼	7.09
NEW ZEALAND 7¼ 90	15.0BN	99¾	+¼	7.45
NORWAY 5⅝ 95	50.0BN	91¼	+⅛	7.28
PENNEY (JC) 6¼ 92	26.0BN	97¼	-¼	8.10
PHILIP-MORRIS 6½ 91	20.0BN	98⅝	0	8.67
SALLIE MAE 6⅞ 92	25.0BN	99¼	+½	7.06
SWEDEN 5⅜ 95	20.0BN	92½	+¼	7.33
TOKYO ELEC POWER 4⅞ 92	60.0BN	96¼	+¼	7.07
[illegible]				

CONVERTIBLE BONDS	Issued	Price	Chg on week	Prem
[illegible]				
ASDA-MFI 4⅞ 02	100	101¼	+½	98.73
BURTON GROUP 4¾ 01 £	110	104¼	+¼	
CANON 3 00	100	240⅝	+17¼	-1.36
EASTMAN KODAK 6¼ 01	300	93¼	-¼	18.97
ELDERS UK 5 97	75	90¼	-¼	-11.10
FUJITSU 3 99	180	196⅞	+5⅞	0.26
GOODYEAR TIRE 6⅞ 03	150	78¼	-¼	72.95
GRACE (WR) 6¼ 02	150	88¼	-¼	24.44
GRAND MET 6¼ 02	100	95⅝	-¼	7.37
INTL PAPER 5¼ 02	200	88½	-¼	18.29
KYOWA BANK 1⅞ 02	100	79⅞	-8¼	1.14
MCA 5½ 02	300	90	-¼	25.95
MITSUBISHI BK 1⅞ 02	300	81⅞	-2⅞	0.66
NIPPON ELECTRIC 2⅞ 00	150	275½	+19½	0.49
OGDEN 6 02	85	83⅛	-¼	34.26
PIONEER CONCRETE 9½ 98 AS	175	77¼	-¼	25.26
SAITAMA BANK 1¼ 02	100	74⅞	-2	12.15
TEXAS INSTRUMENTS 2¾ 02	300	75½	-¼	73.21

EQUITY WARRANTS	Expiry Date	Price	Chg on week	Prem
[illegible]				
NIPPON MEAT PACKERS	17/09/92	12¼	+1	60.57
NIPPON OIL	14/08/92	14¼	+2⅞	46.75
TDK	25/10/91	74½	+10¼	1.71
TOYO SASH	27/04/93	38¼	-4¼	13.33
TOYOTA MOTOR	15/07/92	35⅝	+5¼	4.33
UNY	17/06/91	28⅝	-11¼	20.73
YAMANOUCHI PHARM	30/06/92	11⅞	+5⅜	54.65

BOND WARRANTS	Expiry Date	Bid price	Chg on week	Yield
AEGON 9 92	24/09/92	9	+3	8.54
CREDIT FONCIER 10⅛ 98	07/03/93	120	-55	9.89
GMAC 8⅞ 95 B	11/02/91	10¼	+5⅛	8.47
HEINZ 7⅞ 96	01/10/90	1	-1	7.47
MCDONALDS 8 10 98	01/01/93	21	+3	9.08
SAS 9⅞ 03	03/06/91	24⅝	+4⅝	8.92

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on APRIL 06

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Banks queue on the quiet to lend to BTR

BARCLAYS BANK has quietly completed syndication of BTR's 364-day $1.5bn financing for its attempted acquisition of US-based Norton, with some 39 banks lined up to take a portion of the deal. Bankers' appetites for the loan were so good that the deal was said to have been oversubscribed by 50 per cent.

But, unlike other successful loan syndications for prestigious borrowers, the lenders in the group – particularly the Americans – have asked Barclays to keep their identity secret. Why? Because when word leaked out in the Massachusetts community, where Norton is based, that Barclays was providing financing for the acquisition, the bank found itself besieged by angry employees in well-publicised, damaging demonstrations. It is the sort of publicity banks do not need.

Barclays' predicament illustrates the pitfalls in financing takeovers by foreign companies in the US market. Asset-hungry banks must weigh the merits of lending to a high-quality borrower at a reasonable margin against the possible customer backlash that the lending may generate. Bankers remember too well the sight of citizens in Pennsylvania cutting up their American Express cards in protest over the role of Shearson, American Express's subsidiary, as adviser to UK-based Beazer in its acquisition of Pittsburgh-based Koppers.

It remains to be seen whether banks will be called upon to provide any funds to BTR, since Norton is engaged in a spirited defence. Documents filed by Norton with the US Securities and Exchange Commission show it has agreed to pay its financial adviser, Morgan Stanley, an additional $5.1m in fees if a strategy can be devised to head off BTR's advances. Morgan Stanley's initial fee is $1.5m.

However, Norton's management may also be hedging its bets. The SEC document shows that on March 29, after BTR's bid commenced, the board of directors amended "termination agreements" held with some of its officers and spelled out what constitutes a change of control at Norton. The management also passed a resolution requiring Norton to pay the legal costs of any executive who needed to go to court to enforce conditions of the termination agreement.

Meanwhile, S.G. Warburg and Citicorp Investment Bank launched into syndication the £1.8bn medium-term loan facility to finance the pubs-for-breweries swap between Grand Metropolitan and Elders. The borrower is Inntrepreneur Estates, owner of the Grand-Met and Courage pubs. Of the borrowings, £300m is to be repaid by September 30 1992, through the sale of 1,540 pubs. The margin on the facility is ⅞, declining to ¾ when the outstanding principal totals £1.6bn, then to ⅝ when the outstanding amount falls to £1.5bn and to ½ when the principal amount falls to £1bn.

Separately, European Investment Bank became the first supra-national institution to tap the sterling commercial paper market, with a £250m facility arranged by NatWest Capital Markets.

NatWest also said it completed syndication of a £29.25m, 6½-year senior debt facility intended to provide a portion of the financing for the management buy-out of Fenchurch Insurance from its former parent, Guinness Peat Group. Intermediate Capital Group is providing mezzanine finance for the transaction.

Deutsche Bank Luxembourg said it completed syndication of a $200m five-year revolving credit facility for Atlas Copco AB. The deal, deemed tightly priced by bankers, had met early resistance upon launch.

Norma Cohen

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,420.9	72.0	50.0	13,500.7
Prev	1,197.7	0.0	0.0	11,546.3
Other	1,381.3	0.5	0.0	2,249.1
Prev	1,783.4	0.0	348.0	2,859.4
Secondary Market				
US$	24,694.5	922.3	8,169.0	7,692.7
Prev	23,323.5	754.4	10,910.1	8,409.1
Other	22,100.4	665.6	5,190.0	46,131.1
Prev	21,144.5	956.9	3,921.4	43,280.8

	Cedel	Euroclear	Total
US$	20,973.8	36,547.4	57,521.2
Prev	13,807.7	42,333.4	56,141.1
Other	35,512.8	42,205.2	77,718.0
Prev	31,342.8	42,951.6	74,294.4

Week to April 5, 1990 Source: AIBD

INTERNATIONAL BONDS

After 10 years growing up, Ecu sector comes of age

THE ECU sector of the Euromarket is one of the few to show any life this year amid a dearth of new issues in other currencies, some of which have been held back by the wild volatility that has dominated the European government bond markets.

In the first quarter of the year, the Ecu proved the fifth most popular currency in which to issue bonds, as 25 new Ecu bonds accounted for a dollar equivalent of close to $5bn. This was an increase from the same period last year when 28 issues amounted to a value of $2.84bn, putting the currency seventh in the league table.

The resounding success of the mammoth Ecu1bn issue for Italy, launched just over a week ago by Paribas, has focused attention on this sector of the market. The deal – the biggest Ecu issue – was still trading comfortably above its issue price late last week at 100.35 to 100.40. It had risen to 100.80 to 100.85 earlier in the week, slipping back with the slide in the German government bond market.

Italy's issue was followed last week with an Ecu350m deal for the European Community maturing in five years and with slightly tighter pricing which, as a consequence, met slower demand and was trading just outside its fees at less 1¾-less 1⅝ by the end of the week.

These two deals are a major development for the Ecu bond market, which after 10 years of growth is beginning to come of age as it attracts more institutional investors.

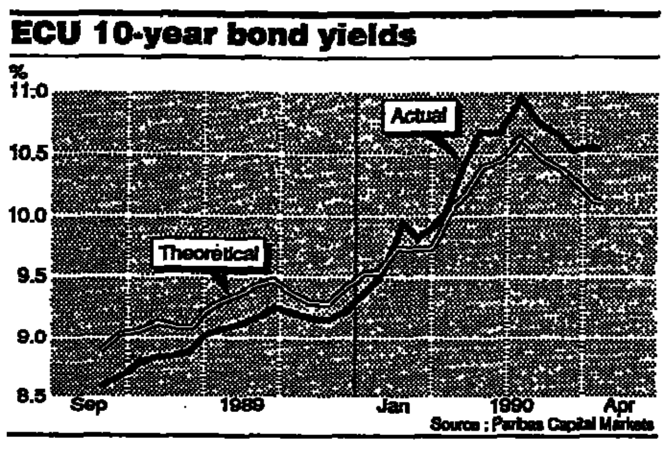
In January, Swiss Bank Corporation researched investor attitudes to Ecu bonds and found that institutions were resisting involvement in the sector because of the lack of 10-year benchmark bonds.

This has created a situation in which European sovereign borrowers are falling over themselves to offer the market a benchmark deal. "These Governments are all playing a game to see who can create the next Ecu benchmark," says Mr Jim O'Neill, head of research at Swiss Bank, "but the truth is, none of them can because they don't issue them often enough."

Nevertheless, the Italy issue adds important liquidity to the 10-year end of the market, which is a key part of attracting institutional buyers to Ecu.

In a move that will add further depth to the longer end of the Ecu market, the French Treasury plans to offer Ecu450m to Ecu550m of a 9.5 per cent 2000 domestic bond on Tuesday. This will be the second Ecu-denominated bond issued by France and forms part of the Government's intention to offer Ecu stock each quarter this year. The first issue, made in May last year, now has a total nominal value of Ecu1.88bn.

ECU 10-year bond yields



The Bank of England has been offering Ecu Treasury bills since October 1988 and Italy has also tendered short-term Ecu bonds. Spain is the latest European Government to announce its intention of selling domestic Ecu bonds as part of its commitment to the EC, and market players say they would not be surprised to see West Germany and the UK move into the longer end in the next six months.

The Ecu has proved its worth in the early part of this year as European domestic bond markets have experienced a turbulent ride with high volatility and wide prices. Swiss Bank says that a sign of the Ecu market's maturity is that it has stayed open throughout the wild times on the European government bond markets and can now be classed as a fully fledged European bond market.

Institutional investors are looking to move back into Europe after bailing out of the government bond markets amid the volatility at the beginning of the year. However, the German bund market is not looking as attractive as it has in the past, because of concern about the inflationary implications of unification of the two Germanys and the wild swings in bund prices.

A lot of the institutional money coming back to Europe is taking advantage of the higher yields available in the French OAT market, where investors can make a 122-basis point pick-up in yields over the 10-year bunds. Also, since many investors regard the Ecu as a high yield D-Mark substitute, demand is overflowing into the Ecu sector.

The yield on longer-term bunds is currently at 8.5 per cent compared with a 10.15 per cent on the 10-year synthetic Ecu bond created by Paribas. This compares with a yield of 10⅝ per cent on the Italy deal.

The high coupons on Ecu deals have attracted the attention of fund managers far removed from the traditional Swiss buyers of Ecu bonds. The market is developing a two-tier structure where the mainstay of retail investors will concentrate on deals of less than Ecu100m, which they often hold until maturity, and institutional buyers will take bonds from the large, liquid issues.

Many Japanese fund managers are fostering an interest in Ecu bonds and some are even building portfolios of them.

One of the constraints to investing in Ecu has been the lack of a vehicle with which to hedge bond holdings, since no underlying bond is traded.

However, Matif, the French futures exchange, is considering the launch of an Ecu bond futures contract this year based on the French Government's OATs in Ecu. A futures contract would supply a hedge for Ecu bond holdings and be a cheap and easy way to gain exposure to the Ecu market.

One enthusiastic trader predicts that if the market keeps growing as it is now, volume could have increased fivefold by 1993.

● Barings launched a £75m issue of bonds for Alliance & Leicester Building Society which was later increased to £100m. The issue carried a generous coupon of 14¼ per cent and was offering a 119 basis point pick-up over the 10¼ gilt of 1995.

Deborah Hargreaves

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Instituto Cred.Oficial(a)‡◆	250	1992	2	-2½bp	99.88	CSFB	-
Sivensa Steel Invest.(b)‡◆	40	1995	5	1⅛	84.38	CSFB	-
First Pacific Co.(d)§◆	50	2000	10	7¼	100	J.H.Schroder Wagg	7.381
Nissho Iwai UK(Cayman)◆	20	1993	3	9⅝	101⅜	IBJ Int.	9.081
Cellular Inc.(i)§	50	2000	10	(7-7¼)	100	Kidder Peabody Int.	★
CANADIAN DOLLARS							
Fed.Bus.Dev.Bank Canada◆	35	1993	3½	13⅛	101¼	BIL	12.408
Finnish Export Credit◆	100	1993	3	13⅜	101.85	Bankers Trust Int.	12.597
AUSTRALIAN DOLLARS							
Credit Lyonnais Australia◆	50	1992	2	15½	101.95	Hambros Bank	14.311
Eurofima◆	75	1994	4	14⅝	101.60	Deutsche Bk Cap.Mkts	14.075
NEW ZEALAND DOLLARS							
State Bank South Australia◆	50	1992	2	14	101.95	Fay Richwhite	12.834
D-MARKS							
Turkey, Republic of◆	250	1997	7	10	102	Commerzbank	9.595
SWISS FRANCS							
First City Trust(g)§	(g)	1998	-	7½	(g)	S.G. Warburg Soditic	★
ECUs							
EEC◆	350	1995	5	10⅝	101.60	Paribas Capital Mkts	10.201
Lavoro Bank Overseas(h)‡◆	150	2000	10	½	100	Merrill Lynch Int.	-
STERLING							
ADT Ltd.(e)§	100	2005	15	8	100	CSFB	8.160
Alliance & Leicester◆	100	1995	5	14¼	101⅜	Baring Brothers	13.651
FRENCH FRANCS							
Caisse Nat.Telecomm.◆	1bn	2000	10	10	101⅞	CCF	9.699
Cr.Lyonnais-FCC-1990-1(c)◆	875	1993	1.48	10.2	99.46	Credit Lyonnais	10.516
World Bank◆	1bn	1997	7	10	101½	CCF	9.695
LIRE							
Nestle Holdings Inc.◆	100bn	1993	3	13⅛	101½	San Paolo Bank	12.619
PESETAS							
World Bank(k)◆	6bn	1994	4½	11⅜	91.972	B. Hispano Americano	13.831
AUSTRIAN SCHILLINGS							
Girozentrale-Vienna(f)‡◆	1.5bn	1998	8	-⅛	100	Girozentrale-Vienna	-
FINNISH MARKKA							
Ind. Fund of Finland◆	100	1993	3	13⅛	100⅝	Nikko Secs. (Europe)	12.985
LUXEMBOURG FRANCS							
Belgelectric Finance(j)★★◆	900	1996	6	9⅞	101⅞	Bqe Paribas/Kredietbk	9.451
SEbanken(j)★★◆	600	1997	7	9¾	101¾	BGL	9.398
YEN							
LKB Baden-Wuerttemberg(l)◆	3bn	1992	2	9	101⅛	J.P. Morgan Secs.	8.366
Svenska Handelsbnkn★★◆	5bn	1993	3⅓	7½	101⅜	Mitsui Trust Int.	7.004

★Not yet priced. ★★Private placement. #With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Coupon pays 2½bp under 6-month Libid. Non-callable. Fixed re-offer price. b) 1⅛% over 6-month Libor. Call from April 1991 at 89.28 and thereafter at price equal to respective percentage of the principal amount outstanding. c) Total issue amount FFr1bn. FFr125m set aside to cover defaults on any of the credits in the public tranche. Backed by consumer loans. Call at par when outstanding amount falls below 10%. d) Convertible preference shares. Call after 30 days at 105 declining to par subject to 130% rule, further call from year six at 100. Put 1995 to yield 9¾%. Conversion price: HK$1.76. Exchange rate: HK$7.8. e) Redeemable preference shares. Exchangeable bond into ordinary shares of BAA Plc. Put July 1995 to yield 50-75bp over 12% 1995 gilt. Call from July 1993 at 100 subject to BAA shares exceeding the exchange price by percentage equal to put price. Option to pay investor cash equivalent of market value of BAA shares. f) Coupon pays ⅛ under 3-month Vibor. Minimum coupon 3½%. About half issue aimed at international investors. Call April 1993 at 100 and on coupon dates thereafter. g) Exchange offer of SFr75m straight bond issue paying 6% 1988/98 for new convertible bond. Investor can exchange old SFr5000 bond for SFr4000 and in addition there is cash offer of SFr250. New investor can subscribe at SFr4000. Conversion price C$8.3. h) Coupon pays ½ over 6-month Libor. Call in April 1992 at 100. Put in April 1995 at 100. i) Fixed re-offer price. Issue callable. j) Launched in LFr300m tranches. k) Fungible with Pta10bn bond launched in September 1989. Non-callable. l) Redemption linked to Yen/$ exchange rate. Note: Yields are calculated on AIBD basis.

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	Northern Bank Ltd	15
Adam & Company	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Equatorial Bank plc	15	Provincial Bank PLC	16
Associates Cap Corp	15½	Exeter Trust Ltd	15½	R. Raphael & Sons	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Roxburghe G'antee	15½
Bank of Baroda	15	First National Bank Plc	16½	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Royal Trust Bank	15
Bank Hapoalim	15	Robert Fraser & Ptnrs.	15½	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Girobank	15	Standard Chartered	15
Bank of Cyprus	15	● Guinness Mahon	15	TSB	15
Bank of Ireland	15	HFC Bank plc	15	● United Bk of Kuwait	15
Bank of India	15	● Hambros Bank	15	United Mizrahi Bank	15
Bank of Scotland	15	Hampshire Trust Plc	15½	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Heritable & Gen Inv Bnk	15	Western Trust	15
Barclays Bank	15	● Hill Samuel	§15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	C. Hoare & Co.	15	Whiteaway Laidlaw	15
Brit. Bk of Mid East	15	Hongkong & Shangh	15	Yorkshire Bank	15
● Brown Shipley	15	● Leopold Joseph & Sons	15		
CL Bank Nederland	15	Lloyds Bank	15		
● Charterhouse Bank	15	McDonnell Douglas Bnk	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	Midland Bank	15		
Clydesdale Bank	15	Mount Banking	15		
Comm. Bk. N. East	15	Nat Bk. of Kuwait	15		
Co-operative Bank	*15	NatWestminster	15		

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Moody's considers downgrading Orix debt

By Stefan Wagstyl in Tokyo

MOODY'S, the US credit rating agency, is considering downgrading long-term debt issued by Orix, Japan's largest leasing company, because of its exposure to the Japanese property market and the pressure of rising interest rates.

Moody's announcement follows the sharp plunge in the Japanese stock market, which some analysts fear could spread to the property market, where prices have also risen very fast in recent years.

Moody's said it had put some $250m of Orix's long-term debt currently rated at A3 under review for a possible downgrade.

"Moody's considers Orix's aggressive development of real estate and international investment activities to be risk factors," the agency said. It added that it would study Orix's management of its assets and liabilities, after the recent increases in interest rates. Orix had consolidated assets of Y4,000bn ($25.4bn) in September.

Meanwhile, Moody's has issued a clean bill of health on the credit ratings of big Japanese banks. It says in a report that while the stock market drop and rising interest raptes will put pressure on bank earnings and property loans, the "fundamental strength of Japan's banks makes a system-wide adjustment of earnings unlikely."

The strength of Japanese banks is still on a par with their similarly-rated international peers. As such only selective rating adjustments are likely, says Moody's. The agency has downgraded debt issued by Yasuda Trust & Banking, a leading trust bank, because of its exposure to property-related loans.

Correction

Laidlaw

LAIDLAW Transportation, the Canadian waste management and school bus group whose six-month earnings were reported on Friday, reports in US, not Canadian, dollars.

Isabelle Gallimard sells stake in publisher to BNP

By George Graham in Paris

GALLIMARD, France's most distinguished publishing house, appears to have emerged from a period of fratricidal feud with Mr Antoine Gallimard in a strengthened position at its head. This follows the decision of his younger sister, Isabelle, to sell her 12.5 per cent stake to Banque Nationale de Paris (BNP), the state-owned bank which is one of Gallimard's principal bankers.

Antoine's quarrel with his brother Christian and his elder sister Françoise is still before the law courts. The lawsuit has so far prevented Antoine from carrying out plans to create a holding company, Sopared, to ensure his control over the publishing house.

He owns 33.5 per cent of Gallimard, although part of this stake is contested by Françoise and Christian. With the support of other members of the family and friends, who between them hold 18 per cent, and with BNP's 12.5 per cent, he now seems firmly in control.

The sale of Isabelle's stake to BNP heads off the possibility that an outside buyer, such as the building and television group Bouygues or Mr Robert Maxwell, the UK publisher, could obtain a blocking 33.3 per cent minority by buying up the three stakes of Isabelle, Christian and Françoise.

The price of the transaction was not disclosed, but is understood to be less than the estimate produced by bankers acting for Françoise Gallimard, who valued the whole company at FFr1.85bn ($325m).

Founded in 1911 by Mr Gaston Gallimard, the present owners' grandfather, the company's backlist includes some well-known names from French 20th century literature: Proust, Sartre and Camus.

Sell-offs boost Béghin-Say

By George Graham in Paris

BEGHIN-SAY, the French sugar and agricultural products group controlled by Italy's Ferruzzi, has reported net profits of FFr1.24bn ($218m) in 1989, up 52 per cent from the previous year.

Exceptional profits rose sharply to FFr660m from FFr372m in 1988, and should rise again in 1990. Béghin-Say last year agreed to sell its remaining interests in the paper companies Kaysersberg and Papeterie Béghin-Corbehem and the trading company ATB for a combined total of FFr2.31bn, and the deals were completed in January.

Operating income in 1989 rose by a third to FFr2.22bn – or by 26 per cent compared with 1988 figures recalculated to take account of changes in the consolidation perimeter – on sales 9 per cent higher at FFr36.9bn.

The sharpest advance came in Béghin-Say's corn starch division, grouping the activities bought in 1987 from Corn Products Corporation. Its contribution to group operating income increased by 73 per cent to FFr773m. The main sugar and alcohol division gained 26 per cent to FFr895m.

The oil, proteins and animal foodstuffs division fell back by 7.5 per cent to FFr566m, but the company declared that this division "conceals a strong potential for improvement."

Béghin-Say added that it had made a provision of FFr120m last year to cover future price increases.

● Moulinex, the French home appliances company, said that net consolidated profit after payments to minority interests totalled FFr153m in 1989, slightly below the FFr159m it reported in 1988. However, excluding exceptional items, net profit grew 23 per cent last year, Moulinex said.

Essilor ahead 7% at FFr313m

By George Graham in Paris

ESSILOR, the world's leading maker of corrective spectacle lenses, lifted net profits 7 per cent to FFr313m ($55m) last year.

Mr Bernard Maitenaz, chairman, said the results were in line with the company's forecasts, though lower than some analysts had expected.

Pre-tax profits fell 5 per cent to FFr419m on sales 8 per cent higher at FFr4.7bn, largely as a result of foreign exchange losses, but a reduction in the overall tax rate allowed net earnings to advance.

Mr Maitenaz said Essilor had made one lens in seven now in use worldwide. It suffered last year in West Germany and the UK, both markets where deregulation had led to a surge in demand in 1987 and 1988, and where sales had fallen off sharply last year.

Sales progressed strongly in southern Europe and Canada, however, and more slowly in the US as the company reorganised its distribution system.

The group has spread into nearby market segments, with a majority stake in Angenieux, the zoom lens maker, and holdings in Domilens, an optical implant maker, and Christian Dalloz, a specialist in polycarbonate safety lenses.

● Bausch & Lomb, the US optical group which owns the Ray-Ban brand, plans to supply the European market for its sunglasses from a plant in Ireland after a $28m investment, writes Gordon Cramb.

Mr Daniel Gill, chairman, said that the facility would be one of the largest in the world for sunglasses, producing 8m pairs a year. The company, which has diversified into dental care, is also launching Interplak, an electric toothbrush, into Europe. Its US sales neared $100m last year.

NEWS IN BRIEF

Aegon lifts dividend as income rises

AEGON, the Netherlands' second largest insurance group, reported a 26.2 per cent rise in net earnings to Fl 490.7m ($48m) in 1989 from Fl 389m a year earlier and forecast another substantial rise in earnings in 1990, AP-DJ reports.

Net earnings per share jumped 17.2 per cent to Fl 12.32 from Fl 10.51 in 1988. The dividend is being raised to Fl 5.75 from Fl 4.70. The figures are adjusted to reflect a stock dividend and new share issue in May 1989. Total revenues rose 14.8 per cent to Fl 11.75bn from Fl 10.24bn.

■ Moody's Investors Service, the US debt rating agency, has downgraded the secured, senior unsecured and senior subordinated debt ratings of United Air Lines, following the airline's agreement in principle to a $4.36bn takeover from employees, AP-DJ reports.

Moody's said its action "recognises the increased likelihood of reduced debt protection for bondholders resulting from either a successful leveraged buy-out of United by an employee coalition of pilots, machinists and flight attendants, or some company initiated decapitalisation for the benefit of shareholders."

■ Inco, the world's largest nickel producer, will receive US$125m after tax from the sale of 20 per cent of its PT International Nickel Indonesia subsidiary, writes Kenneth Gooding, Mining Editor.

The proceeds – $250m gross after commissions, fees and expenses – should be received in May and will be used to repay debt and for general corporate purposes.

The PT Inco offer price was fixed on Friday at Rp9,800, equivalent to US$5.37 a share. After the issue, Inco's shareholding in PT Inco will fall to 58.2 per cent.

■ Dresdner Bank has decided to boost its annual cash dividend for 1989 to DM12 per share from DM10 in 1988. The second-largest West German banking group last raised it dividend in 1985, when the annual payout rose from DM7.50 a share, AP-DJ reports.

Olivetti and Philips look at logic of computer links

Alan Cane on the European companies' discussions

The share price of Olivetti, the Italian office equipment manufacturer, rose and fell briefly last week on rumours, later confirmed, that the company was in discussion with the Dutch company Philips, Europe's largest electronics company, about possible collaboration.

The talks, Olivetti said vaguely, were about possibilities of establishing "sectoral partnerships" in electronic components and printers. They were exploratory in nature: "And when I say exploratory, I really mean exploratory," said a company official.

Industry analysts and observers, nevertheless, believe that the talks could lead to a much broader business collaboration, pointing out that both companies have made no secret of their anxiety to establish relationships of various kinds with their European competitors.

"The question is not whether Olivetti and Philips are in talks, but whether these are the talks," one analyst remarked.

The European computer industry is in the middle of large-scale restructuring, accelerated by the single market expected to arrive at the end of 1992.

European manufacturers have been handicapped by their insularity, their inability to secure adequate economies of scale and a lack of innovation.

A report last week from the British Computer Society warned that the US, Japan and Pacific Rim countries were now ahead of Europe on pricing and productivity.

Olivetti and International Computers of the UK, part of the STC group, are profitable, but Bull of France, Norsk Data of Norway and Nokia Data of Finland all lost money last year. Nixdorf was rescued by Siemens, its West German compatriot, after sustaining serious losses.

Europe's trade deficit in computing, some $12bn in 1987, is expected to reach $17bn in 1993.

Leaders of the European industry, in consequence, are continually talking to each other and to their US and

Vittorio Cassoni: 'European companies need to rationalise'

Asian competitors, exploring the widest possible range of ways of co-operating and collaborating.

The result has been a spate of rumours of mergers and acquisitions. ICL has been linked with Fujitsu of Japan or alternatively with Olivetti, which has similarly been rumoured to be linking with Toshiba, also of Japan.

The idea of a deal between Olivetti and Philips gains credibility because of the openness with which the two companies have been advertising their interest in new partnerships and the industrial logic which would underlie collaboration.

Mr Cor van der Klugt, Philips president, hinted strongly last month that Philips might take over a computer company this year. Mr Dick Snijders, a senior member of Philips' staff, told analysts last week that Philips was committed to the computer business and that they should not expect 1990 to pass without a deal being carried out.

Substantial funds, sufficient to make a difference to the company's financial performance, had been earmarked to finance either an acquisition or a joint venture.

Mr Vittorio Cassoni, Olivetti managing director, has repeatedly said that the only hope for the European computer industry is a measure of rationalisation and, as a leading player, Olivetti would expect to take a full part in that process.

He said he was open to a complete range of deals, from mergers to cross-marketing arrangements.

Olivetti warned, however, that after the collapse last year of its reciprocal small computer marketing agreement with American Telephone & Telegraph of the US, its approach would be cautious and prudent.

Analysts say that, of the remaining large European computer manufacturers, only ICL and Olivetti would be a suitable partner for Philips and that there would be more industrial logic in an approach to Olivetti.

Philips, with sales last year of about $31bn, has failed to make much of an impact in the young world of computing, especially in personal computers.

Olivetti, on the other hand, with sales of $8bn last year, is Europe's most successful small computer manufacturer. It has been hit badly, however, by the shrinkage in margins caused by the declining cost of computer technology, which is affecting every computer manufacturer. It is attempting to regain the initiative through a new family of powerful workstations based on "open systems."

Philips would therefore gain a proven microcomputer division, a captive outlet for its semiconductor products and Europe-wide personal computer marketing channels through a deal with the Italian company. Olivetti would gain a financially stable, larger partner, and access to Philips' technology and marketing network.

Mr Laurence Heyworth, senior analyst with Flemings in London, argues that the distinction between personal computers and high-definition televisions will fade both in terms of components and functionality.

"There would be a strong case for the integration of Europe's leading television [company] and its leading personal computer company," he says.

Much depends on the mood of Mr Carlo De Benedetti, the Italian financier. His company, CIR, holds 40 per cent of Olivetti's voting shares.

UK COMPANY NEWS

Dissident Getty fails to impress Aquascutum

By Andrew Bolger

AQUASCUTUM, the classic clothing company, is not impressed by the news that its dissident shareholders include Mr Gordon Getty, part of the American oil family and one of the world's richest men.

A spokesman for the company said: "We welcome him as a customer but cannot see what he brings to a team already short of retail experience."

Mr Getty, youngest son of the late J Paul Getty, has taken a 33 per cent stake in Waterfall, a newly-formed company which is seeking to enfranchise non-voting shareholders in the outfitter, claiming it has been stifled by family control. So far it has spent over £9m on acquiring 27.2 per cent of Aquascutum's restricted-voting 'A' shares.

Another 33 per cent of Waterfall is controlled by Symphony Capital, which represents the family interests of Mr Brian Myerson, an expatriate South African financier. Clients of Global Asset Management, a $2bn fund management business, own 27 per cent and the rest is controlled by the Oceana Development Investment Trust, acting for the Lewis retailing family in Cape Town.

In a letter to Aquascutum shareholders at the weekend Waterfall sought support for its plan to wind up the company and appoint liquidators if the controlling Abrahams family does not agree to franchise the 'A' shareholders and allow Mr Myerson and Mr William Dacombe, a director of financial adviser Campbell Lutyens Hudson, to be elected to the board at the annual meeting in June.

Mr Myerson said of rumoured enfranchisement proposals which Aquascutum might itself put forward: "If the board proposes compensation terms which are overgenerous to ordinary shareholders, we will certainly use our position to block those proposals. This we are able to do because we speak for over 25 per cent of the 'A' shares and any proposals of this nature will require the approval of holders of at least 75 per cent of the 'A' shares."

Aquascutum has responded to the Waterfall challenge by appointing as non-executive directors Mr Philip Birch, who played a large apart in Ward White's transformation into a major retailer, and Sir Peter Carey, currently chairman of Dalgety, the food and agricultural products group, and a former chairman of Morgan Grenfell.

Synapse chairman stands down

By Andrew Bolger

SYNAPSE Computer Services, which installs software for IBM mainframe users, has announced the resignation of Mr Bill Williams, its chairman and chief executive.

The USM-quoted company swung from pre-tax profits of £463,000 to losses of £249,000 for the six months to January 31. Mr Williams had blamed much of the turnaround on exceptionally adverse trading conditions in the US.

In spite of expectations of growth in the US, anticipated orders for the group's American offshoot failed to materialise.

Synapse said the existing management structure had been reorganised into a number of focused business units, each concentrating on a particular market opportunity, each led by an executive from the management team.

The directors of Synapse would function as a group board for strategy, guidance and control of the business units within the group.

Mr Williams said: "I have decided to pursue personal interests, which my current responsibilities at Synapse have precluded. Also to make way for the new structure that is necessary for Synapse to achieve its goals."

GrandMet to cut stakes in French groups

GRAND METROPOLITAN, the UK drinks and foods group, will cut its stake in French cognac distiller Remy Martin and in Remy's partner company, liqueur maker Cointreau, to just over 20 per cent in both companies.

GrandMet said in a joint statement, issued with the French groups, that it would transfer some of its interests back to the Heriard Dubreuil and Cointreau families which will hold 80 per cent in the two groups via their Cointreau et Cie holding company.

In January, GrandMet's wine and spirits unit International Distillers and Vintners bought 49 per cent in Remy and 19 per cent in Cointreau from a Cointreau family member, Mr Max Cointreau.

Remy and Cointreau agreed to merge late last year and completed the deal in March. GrandMet said in January that it planned to sell part of its recently-acquired stakes to the new Remy Martin-Cointreau partnership once the merger was finalised.

The statement also said that all disputes among the family groups had been settled. It was the decision by Remy Martin and Cointreau to merge their activities last November which prompted Mr Max Cointreau to sell his holdings.

D-day for the California roadshow

Nikki Tait on the legal wranglings over Axa-Midi's attempt to buy Farmers

TWO MONTHS ago, as fountains splashed and piano music tinkled in a plush downtown Los Angeles hotel, a couple of partners from the New York law firm of Cravath, Swaine & Moore raised their glasses to a good day's work.

Representing Farmers Group, the US insurance subsidiary of BAT Industries, they had just chomped their way through two of the main witnesses put up by Axa-Midi Assurances in a Californian insurance department hearing.

Axa, France's third largest insurance group, was – and is – seeking permission in nine separate states to buy Farmers from Sir James Goldsmith's Hoylake consortium, should the latter make a successful bid for BAT.

The lawyers had utilised all the tricks of their trade. Watches, for example, were elaborately laid out, as time-restricted cross-examination began and then pointedly perused when answers exceeded two sentences, and questions fired at frightening speed.

But the net effect was still, in the lawyers' view, highly satisfactory. "The art of cross-examination," purred Mr Ron Rolfe, an indefatigable figure who heads the Cravath effort, "is control."

Today, the results of that performance will be known. At mid-afternoon, California time, the state's Insurance Department will deliver its ruling on whether Axa, via the Hoylake sale arrangements, would be a suitable owner for Farmers.

Ironically, none of the main players will be in San Francisco to hear the news. They will be back in a hearing room for the umpteenth occasion since the process began, on this occasion in Texas. Lawyers, PR advisers and witnesses from both sides started winging their way towards the Lone Star State last week – a regular roadshow which has surrounded each set of proceedings.

Although Axa and Hoylake need clearance from all nine states before a new bid for BAT can go ahead, the Californian decision is important for two reasons. First, this is Farmers' home state, from which it derives 40 per cent of its business. Second, California has a sizeable and highly professional insurance department, well able to assess the financial arguments which are at the nub of the matter.

For whatever professional satisfaction was derived from the hearing-room shenanigans, the key issue is one for cool, commercial assessment. Will Axa's acquisition funding structure, which involves a ten year loan of $2.25bn to be repaid by dividends from Farmers and $2.25bn of two-to-three-year money to be repaid from the sale of the French group's non-insurance assets, pose any threat to Farmers' policy-holders?

Axa says no, pointing to "spare" assets within its group. Farmers says yes, claiming that the higher dividend take and certain tax changes implicit in the French proposals would be seriously detrimental. It has also cited California's own acquisition guidelines on post-purchase gearing ratios, prompting a dispute over goodwill accounting treatments.

Meanwhile, background factors may also weigh in. There is the rumbling issue of Proposition 103, the Californian insurance rate reform initiative, which the state is struggling to implement and which – in theory at least – could pose financial constraints on local insurers in the future.

The Californian hearing, moreover, coincided with the collapse of Drexel Burnham Lambert, emphasising US concerns about the leverage culture. And then there is the Goldsmith connection. Farmers' attempts to throw doubt on the Axa sale agreement have not been particularly convincing, but the fact remains that Axa proposes investing $1bn in Hoylake itself.

As a result, both parties expect the California judgment to be lengthy; 40 to 50 pages is the guesstimate. And although the actual upshot could be a straight yes or no, the betting is on some form of condition decision.

What happens then? No-one is keen to predict their next move, until all the details have been thoroughly chewed over by their innumerable legal advisers. Nevertheless, both parties have, in the past, indicated that California's decision would probably be appealed if it goes against them.

In the meantime, decisions from some further states may come through; Idaho, held up while a key official takes a holiday, reckons the end of April, and the Illinois record is now due to close on May 2.

In this highly unpredictable process, only one thing is certain. As a BAT team bunkers down in London's Victoria and arrangements are under way to keep the Hoylake principals informed, the inter-continental fax lines will be buzzing into the early hours of tomorrow morning.

WSP rises 49% as two purchases double its size

WSP HOLDINGS, the acquisitive engineering consultancy, has unveiled record results for 1989 and two further acquisitions which will double its size, writes John Murrell.

The company is also proposing to graduate from the USM to the main market.

The 12 months to end-December saw turnover rise from £3.42m to £5.17m and profits at the pre-tax level advance by 49 per cent to £966,000.

From earnings of 8.8p (6.6p) shareholders are to receive a final dividend of 1.5p making a 2.4p (2.1p) total.

The acquisitions are of Donald Rudd and a 71.5 per cent interest in Parsons Brown, both consulting engineers. WSP has an option to acquire the remaining 28.5 per cent of Parsons Brown during 1991.

Aggregate initial consideration for the two companies will be £1.86m, with further deferred payments up to a maximum £1.81m.

Funding will be via a combination of new shares and cash. WSP will issue 2.82m new shares of which 742,893 will be the share element of the initial consideration. The balance of 2.08m shares will raise some £1.62m net.

Gilbert Eliott Corporate Finance is arranging a placing and open offer of 2.08m new shares at 97½p. Existing shareholders will be able to apply for the new shares, free of expenses, on a three-for-ten basis.

For the year to August 31 1989 turnover and adjusted profits before tax of Parsons Brown were £5.17m and £172,575 respectively. Net assets totalled £688,131.

Donald Rudd had a pre-tax profit of £79,705 and a turnover of £2.2m for the 12 months to end-January 1990. Net assets to be acquired amounted to £200,000.

Warren resigns from Rex Williams board

By Jane Fuller

Mr Frank Warren, the boxing promoter who was shot in the chest in November, has resigned from the board of Rex Williams Leisure, the video and entertainments company.

Mr Warren, who was chairman, has not played an active part in the company since the shooting.

His replacement is Mr John Botros, his partner in Loxway which owns about a quarter of Rex Williams shares.

The board also confirmed Mr Jeff Williams, who is no relation of the snooker player from which the company gets its name, as chief executive.

The shares have been suspended since last Wednesday pending an announcement. The company has been in discussions over a large injection of assets.

Negotiations about the restructuring have been among the factors holding up the production of its annual report and accounts for the year to May 1989.

Hillsdown sells Needlers

Hillsdown Holdings, the food, furniture and property group, has sold its Needlers confectionery business to Nora Industrier of Norway. The price is understood to be around £8m-£9m, although the buyer will also take on some debt.

Hillsdown acquired the Grimsby-based sweets business in late-1985, via a £3.45m cash bid. Last year it sold another of its confectionery interests, Bluebird, and the Needlers disposal takes it out of this market entirely.

The business has been bought by a subsidiary of the Norwegian conglomerate, which already makes sweets in Scandanavia. This represents its entry into the UK market.

FT Share Information Service

The following securities were added to the Share Information Service in Saturday's edition:

American Express (Section: Americans).
Beta Global Emerging Markets Inv. Tst. (Finance Land). Do. Warrants (Finance Land).
Biocure Hldgs. (Third Market).
Five Arrows Chile Fd. (Finance Land). Do. Warrants (Finance Land).
German Inv. Tst. (Investment Trusts).
Korea Liberalisation Fd. (Investment Trusts). Do. Warrants (Investment Trusts).
Martin Currie European Inv. Tst. (Investment Trusts). Do. Warrants (Investment Trusts).
Merlin Int. Green Inv. Tst. Wrrnts. (Investment Trusts).
Nationwide Anglia 3⅞pc I.L. Ln. 2021 (Loans, Building Societies). Do. 4¼pc I.L. 2024 (Loans, Building Societies).
Navan Resources (Third Market).
Pacific Property Inv. Tst. Wrrnts. (Investment Trusts).
Schroder Japanese Warrant Fd. (Finance Land). Do. Warrants (Finance Land).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Highland Distilleries.

Finals- Asda Property, Baillie Gifford Technology, Black (A & C), Dewhirst, Fortnum & Mason, Helene, ISA International, Ibstock Johnsen, Lamont, Micro Focus, Morgan Crucible, Mowlem (John), Portals, Quarto, Richards Group, Roskell, Severfield-Reeve, United Friendly Insurance, Whittington.

FUTURE DATES

Interims-

Fisher (A)	Apr. 19
Gencor	Apr. 26
VTR	Apr. 12
Finals-	
CI	Apr. 24
Celestion Industries	Apr. 10
Densitron International	Apr. 18
Eglinton Exploration	Apr. 12
Farnell Electronics	Apr. 20
Highcroft Investment Tst	May. 10
Sovereign Oil & Gas	Apr. 26
Toye	Apr. 12

FINANCIAL TIMES STOCK INDICES

	Apr 6	Apr 5	Apr 4	Apr 3	Apr 2	Mar 30	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs.	77.45	77.64	77.25	76.82	76.68	76.65	84.20	75.91	127.4	49.18
Fixed Interest	86.32	86.53	86.17	86.02	86.08	85.79	92.91	85.12	105.4	50.53
Ordinary	1740.2	1756.3	1749.7	1761.3	1748.1	1768.7	1968.3	1740.2	2008.6	49.4
Gold Mines	256.0	258.0	257.4	256.5	253.4	274.7	378.5	253.4	734.7	43.5
FT-Act All Share	1103.10	1110.93	1107.80	1111.57	1103.10	1114.94	1226.83	1102.28	1238.57	61.92
FT-SE 100	2221.1	2239.5	2231.6	2240.7	2221.6	2247.9	2463.7	2216.0	2463.7	986.9

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | ITALY (continued) | SWEDEN | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | NETHERLANDS | NORWAY | SPAIN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

CANADA

TORONTO
Closing prices April 6

MONTREAL
Closing prices April 6

Total Sales 5,068,425 shares.

INDICES

NEW YORK

DOW JONES	Apr 6	Apr 5	Apr 4	Apr 3	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	2717.12	2721.17	2719.37	2736.71	2810.15 (2/1)	2543.24 (30/1)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.61	90.69	90.55	90.65	93.04 (3/1)	90.30 (29/3)	—	—
Transport	1174.08	1181.37	1182.25	1188.83	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.66	213.28	214.47	215.54	236.23 (2/1)	212.90 (22/3)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 2732.43 (2746.17) Low 2695.50 (2709.01)

STANDARD AND POOR'S

	Apr 6	Apr 5	Apr 4	Apr 3	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	340.08	340.73	341.09	343.64	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	395.65	396.05	396.02	398.94	411.20 (2/1)	371.92 (30/1)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.15	27.52	27.84	28.05	31.87 (3/1)	27.15 (6/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	186.78	187.15	187.31	188.55	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	361.01	361.23	361.12	361.65	382.45 (5/1)	345.50 (30/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	430.90	433.42	435.42	437.65	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar 30	Mar 23	Mar 16	year ago (approx.)
Dow Industrial Div. Yield	4.06	4.06	4.00	3.78
	Apr 4	Mar 28	Mar 21	year ago (approx.)
S & P Industrial div. yield	3.05	3.04	3.05	3.24
S & P Indl. P/E ratio	15.09	15.07	14.97	12.79

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Fannie Mae	3,743,800	32	- 2⅝
Baxter Intl.	2,070,200	22¼	- ⅝
Brwng Ferris	1,776,000	36¾	+ 1½
Tandem Comp.	1,635,600	22⅝	...
Phil. Elect.	1,499,000	16¾	- ¼
Putnam Prem.	1,485,700	7⅛	- ⅛
Bank of NY	1,436,500	30	- 1¼
Philip Morris	1,434,600	41¼	...
Alcoa	1,402,000	62	- 1½
BankAmerica	1,371,900	25½	- ⅞

TRADING ACTIVITY

† Volume Millions	Apr 6	Apr 5	Apr 4
New York	139.522	145.524	159.540
Amex	10.967	9.521	11.203
NASDAQ	(u)	134.242	138.385
Issues Traded	1,977	1,979	1,973
Rises	596	716	586
Falls	864	726	915
Unchanged	517	537	472
New Highs	24	27	34
New Lows	82	55	47

CANADA

TORONTO	Apr 6	Apr 5	Apr 4	Apr 3	1990 HIGH	1990 LOW
Metals & Minerals	3133.90	3154.80	3157.10	3193.60	3453.05 (4/1)	2921.03 (23/2)
Composite	3632.40	3630.70	3635.00	3648.20	4009.47 (3/1)	3612.30 (2/4)
MONTREAL Portfolio	1874.06	1873.28	1877.99	1892.90	2060.90 (3/1)	1852.36 (23/2)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr 6	Apr 5	Apr 4	Apr 3	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1513.0	1505.7	1516.8	1505.4	1713.7 (2/1)	1505.4 (3/4)
All Mining (1/1/80)	779.1	775.7	780.1	770.6	860.8 (5/1)	770.6 (3/4)
AUSTRIA						
Credit Aktien (30/12/84)	671.04	675.28	681.34	686.80	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6113.86	6106.65	6116.42	6104.17	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	370.52	370.21	369.75	374.60	380.47 (28/3)	358.77 (2/1)
FINLAND						
Unitas General (1975)	608.6	602.4	602.4	602.0	677.3 (23/1)	590.5 (2/1)
FRANCE						
CAC General (31/12/82)	542.87	532.59	530.98	521.70	554.7 (5/1)	482.94 (26/2)
CAC 40 (31/12/87)	2069.89	2028.06	2001.49	1985.55	2069.89 (6/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	827.40	824.88	828.56	830.92	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2402.9	2396.0	2407.8	2414.0	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1947.84	1958.39	1963.25	1968.33	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2956.12	(c)	2960.88	2962.45	3014.02 (26/3)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1719.94	1717.69	1716.96	1728.50	1893.10 (22/1)	1716.96 (4/4)
ITALY						
Banca Com. Ital. (1972)	691.26	686.45	685.87	682.56	707.41 (12/1)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	29278.78	28249.86	28442.94	28759.72	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2149.26	2058.02	2075.96	2111.18	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	3391.57	3313.92	3498.62	3586.87	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	540.14	550.61	561.20	565.13	622.20 (28/2)	540.14 (6/4)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	257.7	257.6	257.8	257.4	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	197.2	197.6	197.7	197.5	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (2/1/83)	802.46	808.72	811.49	810.06	845.40 (16/3)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1087.55	1091.70	1096.59	1083.70	1160.78 (21/3)	1014.09 (5/3)
SINGAPORE						
SES All-Singapore (2/4/75)	(u)	417.58	422.14	424.07	443.34 (6/2)	413.64 (24/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(c)	1858.0	1868.0	1857.0	2230.0 (16/1)	1857.0 (26/2)
JSE Industrial (28/9/78)	(c)	2892.0	2901.0	2880.0	3211.0 (6/2)	2795.0 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	831.73	(c)	828.98	836.63	928.82 (4/1)	819.04 (28/3)
SPAIN						
Madrid SE (30/12/85)	252.82	250.57	249.62	248.97	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1140.90	1134.90	1138.00	1133.50	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	755.7	749.1	744.7	743.9	787.2 (11/1)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	10440.67	(c)	10907.09	11119.00	12495.34 (18/2)	9805.40 (9/1)
THAILAND						
Bangkok SET (30/4/75)	(c)	840.30	846.03	848.17	918.67 (5/1)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	478.5	476.9	478.5	571.0 (4/1)	468.3 (2/4)

**Saturday Mar. 31: Taiwan Weighted Price: 10755.87 Korea Comp.Ex. 840.89
‡ Subject to official recalculation.
◊Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday April 6 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	68.3m	585	+45	NKK	22.6m	541	+41
Hitachi	60.9m	1,670	+20	Canon	17.8m	1,790	-20
NEC	36.4m	2,260	+10	Toshiba	17.8m	1,120	+30
Mitsubishi Hvy	28.8m	926	+75	Sumitomo Metal	16.6m	666	+45
Mitsubishi Elc	27.8m	1,030	+30	Kawasaki Steel	16.3m	582	+39

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Merlin Jupiter Unit Tst Mgrs Ltd (0905)F

197 Knightsbridge, London SW7 1RB 01-581 3020

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American Cap	5	101.1	104.3	110.9	0.92	40702
Income	5	89.48	90.93	96.73	4.98	40703
Resources & General	5	114.7	116.3	123.7	2.61	40704
Special Sits	5	32.66	33.86	36.02	3.72	40705
International	5	56.11	56.11	59.69	2.89	40954
Ecology	5	59.49	59.49xd	63.28	1.90	46067

† Dealing Day: Wed. *Dealing day Thurs.

Pearl Unit Trusts Ltd (1000)H

PO Box 500, Thorpe Wood, Peterborough PE3 6GD
Dealing 0800 626577 Enquiries: 0733 67767

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Growth	5	113.4	115.8	121.9	3.41	41121
(Accum Units)	5	180.7	184.6	194.3	3.41	41122
Income	6	169.1	172.2xd	183.2	4.67	41123
Equity	6	172.4	175.3	186.4	3.25	41124
(Accum Units)	6	325.1	330.6	351.7	3.25	41125
Intl Equity	6	174.0	176.2	187.4	1.99	41126
(Accum Units)	6	183.0	185.2	197.0	1.99	41127
UK Income	6	46.60	47.37	50.39	4.61	47020
UK Intl 25	6	46.55	47.14	50.15	2.86	47584

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	52.05	52 91	56.43	0.20	41506
(Accum Units)	5	53.56	54 45	58 07	0 20	41507
European Opps	5	78.29	78.56	83.79	0.00	41508
(Accum Units)	5	78 72	79.00	84 25	0 00	46366
Far Eastern Opps	5	131.60	131 90xd	140 69	0 00	41509
(Accum Units)	5	132.44	132.75xd	141.59	0 00	41510
Golden Opps	5	39.76	39.76	42.40	0 00	41511
(Accum Units)	5	40 90	40 90	43 62	0 00	46367
Intl Hi-Yield	5	59 63	59 65	63 62	4 33	41512
(Accum Units)	5	65 00	65 02	69 35	4 33	46368
Sanyo Japan Tst	5	61.22	61.22	65 29	0 00	41513
(Accum Units)	5	61.22	61.22	65.29	0 00	41514
Kangaroo	5	30.31	30.31	32.32	1.29	41515
(Accum Units)	5	30 48	30 48	32.50	1.29	46369
Oriental Income	5	32 89	32.94xd	35 13	4.98	41516
(Accum Units)	5	37 37	37 43xd	39 91	4 98	41517
Pacific Technology	5	60 99	60 99xd	65 05	0 00	41518
(Accum Units)	5	61 49	61.49xd	65.57	0 00	41519
Tiger	5	149 84	149.84	159.82	0.69	41520
(Accum Units)	5	152 17	152.17	162.31	0 69	41521
UK Hi-Yield	5	43.46	43 46	46.35	4.93	41522
(Accum Units)	5	49.70	49 70	53.00	4 93	46302
UK Opps	5	53 74	56 29	60.20	0 70	41523
(Accum Units)	5	58 47	61.25	65 50	0.70	41524
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	91.03	92.67	98.58	4 00	47962
Timberlake Unit Trust Mngrs Ltd (0900)F						
1 White Hart Yard, London SE1 1NX 01 407 5966						
Portfolio	..	2	97 44	97 44	100.3	1.2 –
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250						
4 Hourly Pricing – 12 Noon Historic						
TR American Gwth	5¼	47 52	47.52xd	50 68	0	41525
TR Eur Sm Sits Acc	5¼	44.59	44.59	47.49	0	41526
TR Eur Sm Sits Inc	5¼	43 72	43.72xd	46.56	0	41527
TR Far East Opps Inc	5¼	23 62	23 62	24 92	–	41660
TR Far East Opps Acc	5¼	23 62	23 62	24 92	–	41685
TR General Growth	5¼	72.73	72.73	77 37	2 64	41528
TR Global Tech	5¼	73.73	73 73	78.64	0	41529

	Bid Price	Offer Price	Yield Gross	City-line
NM Rothschild Asset Management Ltd				
NC Managed	56 7	60.4xd	3.78	40339
NC Property	191.9	209 7xd	–	41205
J. Rothschild Fund Managers Ltd				
Intl Exempt	142.9	144 4	3.58	40172
Stewart Ivory & Co Ltd				
Salois PPP Mar 14	255 5	269.0	0 00	41422
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Apr 2	100 80	107 47xd	3.80	46975
(Accum Units)	101 58	108.31xd	3.80	46976
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1198	1214	1.94	47801
TR Exempt Nth Amer	977	989	–	47802
TR Exempt Pac Basin	835	847	–	47803

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)

	Bid Price	Offer Price	Yield Gross	City-line
AA Friendly Sy Mar 9	–	269 51	–	41607

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	Yield Gross	City-line
Prop Ser 1	298 6	314 4	–	41608
Equity Ser 1	127 7	134 5	–	41609
Prop Acc Ser 2	460 3	484 6	–	[illegible]
Equity Ser 2	148.2	156.1	–	[illegible]
Selective Acc	339 8	357.7	–	[illegible]
Prop. Ser 4	360.6	379 6	–	[illegible]
Equity Ser 4	151.7	159.7	–	[illegible]
Man Ser 4	434 9	457.8	–	[illegible]

OTHER UK UNIT TRUSTS

Royal Exchange – Contd.

Laurentian Life plc – Contd.
formerly Trident Life

Merchant Investors Assurance Co Ltd – Contd.

Legal & General (Unit Assur) Ltd

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Bid Price	Offer Price	Yield Gross	City-line
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	101.9	107.3	-	47150
Managed Growth	137.4	144.7	-	47151
Managed Opportunity	139.9	147.3	-	47152
NFMC Target Financial	100.9	106.3	-	47153
Pension Funds				
Managed Cautionary	106.7	112.4	-	47154
Managed Growth	141.5	149.0	-	47155
Managed Opportunity	141.7	149.2	-	47156
NFMC Target Mngd Pens	1492.2	1570.8	-	47157
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Managed Fund	219.9	231.5	-	43122
Managed Prospect Fund	184.5	194.3	-	43123
Pens Managed	287.8	303.0	-	43128
Pens UK Equity	334.8	352.5	-	43129
Pens Overseas Equity	409.1	430.7	-	43130
Pens Property	148.1	155.9	-	43131
Pens Fixed Interest	169.9	178.9	-	43132
Pens Index Linked	143.0	150.6	-	43133
Pens Deposit	192.9	203.1	-	43134
Harvester & P.R.P.				
UK Equity	146.3	154.1	-	43135
Overseas Equity	146.4	154.2	-	43136
Fixed Interest	116.1	122.3	-	43137
Property	123.3	129.8	-	43138
Index Linked	130.0	136.9	-	43139
Deposit	133.9	141.0	-	43140
Managed	145.0	152.7	-	43141
With Profits	136.8	144.0	-	43142
National Provident Institution				
48 Gracechurch St, London EC3P 3HB 01-623 4200				
Managed	335.2	352.9	-	43163
UK Equity	423.7	446.0	-	43164
Overseas Eq.	356.0	374.8	-	43165
Americas	267.1	281.2	-	43166
Far East	361.6	380.7	-	43167
Property	[illegible]	[illegible]	[illegible]	[illegible]

	Bid Price	Offer Price	Yield Gross	City-line
Providence Capital Life Assc. Co Ltd – Contd.				
UK Managed Initial	113.8		-	43432
Property Initial	166.3		-	43433
Money Initial	79.6		-	43434
Special Market Initial	131.5		-	43435
Japan Equity Initial	94.1		-	46762
North American Initial	83.6		-	43437
Pacific Initial	77.9		-	43438
Technology Initial	99.2		-	43439
Nat Resources Initial	56.8		-	43440
European Initial	108.4		-	43442
Residential Prop Init	99.4		-	43443
Swiss Equities Initial	36.4		-	43444
Hong Kong Initial	49.7		-	43445
UK High Inc Eq Init	67.4		-	43446
Int. Fixed Interest Init	48.9		-	46408
Int. Managed Init	56.4		-	46409
HIP Managed Init	112.3		-	46752
BZP Managed II Initial	97.7		-	41927
Broker Funds				
High Performance	74.6	78.6	-	43448
Tower Hill Mngd Fd Acc	50.3	53.0	-	43447
YRA Executive Fd	92.1	97.1	-	43449
£ Global Growth Acc	130.5	137.6	-	47160
£ High Income Mngy Acc	111.4	117.7	-	47161
IM Balanced	94.9		-	47162
H.F. Speculator Fd	153.6		-	43451
PEP Accum II	120.8		-	46486
PEP Cautionary	86.2		-	47163
AAFS Int Man Fund	119.1		-	46551
Andrews-Green Inv Port	97.8		-	47914
Individual Pension Funds				
UK Equity Acc	218.2	230.2	-	43454
UK Fixed Interest Acc	174.5	184.1	-	43455
Intl Equities Acc	248.1	261.8	-	43456
UK Managed Acc	179.2	189.0	-	43457
Property Acc	209.0	220.5	-	43458
Money Acc	137.9	145.5	-	43459
Special Market Acc	262.7	277.2	-	43460
Japan Equity Acc	190.6	201.1	-	46761
North American Acc	130.3	137.5	-	43462
Pacific Acc	[illegible]	[illegible]	-	[illegible]

Royal Heritage Life Assurance Ltd – Contd.

[illegible]

Royal Life Insurance Ltd

[illegible]

	Bid Price	Offer Price	Yield Gross	City-line
UK Life Assurance Co Ltd – Contd.				
[illegible] Capital	95.5	100.5	-	44383
[illegible]	119.7	126.0	-	47625
[illegible] Capital	110.4	116.2	-	44384
[illegible]	138.6	145.9	-	47623
[illegible] Harvest	309.8	326.0	-	44385
Wesleyan Assurance Society				
Colmore Circus, Birmingham, B4 6AR 021-200 3003				
[illegible] Fd	205.2	215.6	-	44402
[illegible] Managed Fd	126.3	132.7	-	46464
Windsor Life Assur Co Ltd				

	Bid Price	Offer Price	Yield Gross	City-line
Towry Law & Co – Contd.				
Royal Life (Unit Link Acc)	115.2	121.2	-	44583
Scot Equitable (Life)	155.6	163.8	-	44584
Scot Equitable (Pens)	120.1	126.4	-	44585
Scot Mutual (Life)	174.4	183.6	-	44586
Scot Mutual (Pens)	160.5	169.0	-	44587
Scot Mutual Venture Fd	113.2	119.2	-	44588
Prudential Holborn	119.7	126.1	-	44589
J. D. Ward Financial Services Ltd				
9 Kingsway, London, WC2 B6XF 01-836 4321				
Target Mngd Bond	210.4	221.5	-	44591
Target Mngd Pension	129.7	136.6	-	44592

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Capital House Fund Mgrs – Contd.						
Managed						
Intl Portfolio	5	1.657	1.677	1.780	-	44825
Managed Currency	5	1.782	1.782	1.876	-	44826
Gartmore Fund Managers International Ltd						
PO Box 278, 45 La Motte St., Jersey 0534 27535						
Capital Strategy Fund Ltd (a)						
American Fd	$-		1.738		-	45067
Canadian Fd	C$-		0.8671		1.00	45078
British Fund	£-		2.181		3.00	45071
European Fund	DM-		6.406		-	45075
Eastern European	DM-		5.270		-	40648

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

[illegible]

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Ivory & Sime (Luxembourg) SA						
13 rue Goethe L-1637 Luxembourg						010 352 4046461
Atlas Fund						
Global Cap Portfolio	-	$-	2.389	2.534	0.25	45309
United States Portfolio	-	$-	2.478	2.629	0.55	45310
Pence Kingdom Portfolio	-	£-	1.085	1.152	11.00	45311
Cont. Europe Portfolio	-	DM-	4.539	4.814	0.45	45312
Europrima Portfolio		£-	1.103	1.170	-	47642
Japan Portfolio	-	£-	0.727	0.772	-	45313
Pacific Portfolio	-	$-	2.600	2.758	1.00	45314
Gold Portfolio	-	$-	2.099	2.226	0.35	45315
UK Growth of Income	-	£-	1.141	1.211	1.90	45316
Sterling Gilt Portfolio	-	£-	0.921	0.977	5.00	45317
Global Bond Portfolio	-	$-	1.889	2.001	5.50	45319
Dollar Portfolio	-	$-	2.070	2.071	7.50	45320
Yen Portfolio	-	£-	0.881	0.882	2.50	45321
Sterling Portfolio	-	£-	1.040	1.041	6.40	45323
Midland International Circuit Fund SICAV						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey						0534 37788
UK Growth		£-	0.999	1.059	-	46010
European Growth		£-	1.086	1.152	-	41031
Japan Growth		£-	1.013	1.074	-	41032
Pacific Growth		£-	0.965	1.024	-	41035
N th American Growth		£-	1.014	1.075	-	41034
UK Fixed Interest		£-	1.012	1.074	-	41037
Multicurrency Bond		£-	1.012	1.073	-	41033
UK Stlg Liquidity		£-	1.014	1.076	-	41040
US$ Liquidity		£-	1.030	1.082	-	41038
Morgan Grenfell UT Mgrs/Deutsche Bank						
Representative for Ital, Luxembourg						
20 Finsbury Circus, EC2M 2UT						01-826 0826
Eurorenta		DM-	79.43	81.90	-	47544
Dm Reserve		DM-	115 13	116 30	-	47542
Dollarrenta		$-	48 41	49 90	-	47543
Nomura Global Fund						
UK dealing agent National Inv Group plc. Holland Hse, 1-4 Bury Street, London EC3A 5AT						01-283 8050
Asia Pacific P'folio			58 18		-	47944
Royal Trust Assetmix Fund						
41 Avenue de la Gare L-1611, Luxembourg						352 489 061
Equity Funds						
Alpha UK		£-	1 19		0	46787
Alpha US		$-	1.38		0 00	46788
Alpha Worldwide		SFr-	4 84		0 00	46789
Alpha Japanese		Y-	924		0 00	46785
Alpha Pacific Rim		$-	1.35		0 00	46786
Alpha European		Ecu-	1.28		0 00	46784

	Bid Price	Offer Price	Yield Gross	City-line
NM Financial Mgmt Intl Ltd—Contd.				
Deutschemark Currency	DM4 970		2.36	45528
Dollar Currency	$0 973		4.91	45531
Sterling Currency	£0.977		10.48	45532
Yen Currency	Y197.5		1.40	45534
Managed Currency	£0.944	1.004	6 94	45536
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y3,119	3 180	-	45559
New Generation Fd $	$18 87	19 07	-	45560
Japan Index Alpha	Y10,282	10 437	-	46350
Jap Sector Rotation	Y8,608	8,736	-	47334
Stronghold Asset Mngmt (Guernsey) Ltd				
Tech and Comms	£13 11	23.89	-	44712
Pacific Basin Fd	$105 30	111 92	-	44713
Western European	$18.59	19.91	-	44714
Tyndall International (Guernsey) Ltd				
Capital Defender	$1.27	1.35	-	45880
Hi Yield Bond	62 1	65.3	13.30	45881
Internat. Spec. Sits.	49 6	52 2	-	45882
Marunouchi Fd.	75 1	79 0	-	45883
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$700 33		-	45903
Fixed Income Shares	$904.29		-	45904
Wellington Fd Mngrs (Guernsey) Ltd				
Intnl Growth Fd.	$13.33	13 9[illegible]	-	45995
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth	$11.23		-	46000
Yamaichi ISS Fund	$7 83		-	46591
Yamaichi CB Plus Fund	$8.31		-	47335
Thai Inv Fund	$11.98		-	46493

JERSEY (**)

	Bid Price	Offer Price	Yield Gross	City-line
Allied Irish Fund Managers (CI) Ltd				
Sterling Currency Fd.	£14 4936		-	44683
Managed Currency Fd.	$34.4156		-	44684
Do Sterling Equivalent	£21.0417		-	44685
Ecu	Ecu12 7545		-	46562
Irish Gilt Fd	I£186 9736		-	46563
Intl Managed Dollar	$23.5662		-	47336
Intl Managed Bond	I£21 1578		-	47337
Barclays Intl Funds				
Currency Funds				
Sterling	£17.56		13.6	44718
US Dollar	$28.60		7	44719
Deutschemark	DM49.07		6.5	44720
Yen	Y3,672		5.1	44721

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Australian dollar expected to slide

AN EASING of monetary policy by the Australian Reserve Bank has produced a stronger Australian dollar. If this seems surprising it is because last week's reduction in rates was accompanied by statements from the central bank and from Mr Paul Keating, the Australian Treasurer, indicating that this was probably the last in a series of cuts.

UK clearing bank base lending rate 15 per cent from October 5

However analysts suggest that a further reduction of ½ to 1 per cent may take place in two or three months, but are worried that the outlook does not look particularly favourable for the economy or the currency.

The Australian dollar pushed up towards 77.00 US cents on Friday, from 75.40 cents at the end of the previous week. This may be the top of its range for 1990, according to Mr Stephen Halmarick, an economist at Midland Montagu Research in Sydney. Other market observers believe the currency could touch 78.00 cents, but that sellers will emerge at that level.

Mr Halmarick suggests that although a slowdown in the Australian economy has allowed the authorities to cut interest rates, the slowdown has come in the wrong areas. Fourth quarter national accounts showed a fall in Gross Domestic Product, but private consumption rose and capital expenditure fell.

He thinks that the authorities are playing a high risk game with the Australian dollar. Inflation is threatening to rise and international interest rates are unlikely to follow the Australian example. He suggests the local currency may slide to 71.00 US cents within three months and could even go lower.

£ IN NEW YORK

Apr.6	Close	Previous Close
£ Spot	1.6420-1.6430	1.6415-1.6425
1 month	0.88-0.87pm	0.88-0.87pm
3 months	2.63-2.61pm	2.61-2.58pm
12 months	9.45-9.35pm	9.24-9.17pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr.6	Previous
8.30 am	87.7	88.1
9.00 am	87.7	88.1
10.00 am	87.6	88.1
11.00 am	87.6	88.1
Noon	87.5	88.0
1.00 pm	87.5	88.0
2.00 pm	87.5	88.0
3.00 pm	87.5	87.9
4.00 pm	87.5	87.9

CURRENCY RATES

Apr.6	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.789824	0.736027
U.S Dollar	7	1.29926	1.20598
Canadian $	13.32	1.51793	1.40581
Austrian Sch.	6½	15.5301	14.3922
Belgian Franc	10¼	N/A	42.3149
Danish Krone	10½	8.45039	7.82199
Deutsche Mark	6.00	2.20822	2.04595
Neth.Guilder	7.00	2.48678	2.30330
French Franc	10¼	7.42397	6.87650
Italian Lira	13½	1626.06	1503.86
Japanese Yen	5¼	205.153	189.737
Norway Krone	8	8.53874	7.92028
Spanish Peseta	-	140.521	130.041
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Apr.6	Bank of England Index	Morgan** Guaranty Changes %
Sterling	87.5	-23.7
U.S Dollar	68.5	-9.3
Canadian Dollar	105.0	+1.6
Austrian Schilling	110.0	+12.1
Belgian Franc	111.2	-2.5
Danish Krone	110.6	+4.7
Deutsche Mark	119.0	+24.7
Swiss Franc	109.8	+17.7
Guilder	114.8	+16.5
French Franc	104.9	-11.9
Lira	101.6	-18.2
Yen	118.9	+46.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Apr.5.

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6390	1.6303	1.6130	1.5879	1.5458

IMM-STERLING $s per £

	Close	High	Low	Prev.
Jun	1.6212	1.6240	1.6156	1.6210
Sep	1.5960	1.5980	1.5910	1.5962

OTHER CURRENCIES

Apr.6	£	$
Argentina	7616.10-7635.40	4650.00-4660.00
Australia	2.1385-2.1405	1.3055-1.3065
Brazil	91.7280-93.3945	56.0000-57.0000
Finland	6.5500-6.5705	4.0030-4.0060
Greece	266.05-270.05	162.00-164.60
Hong Kong	12.7755-12.7885	7.7995-7.8015
Iran	115.80*	70.80*
Korea(Sth)	1150.30-1168.85	703.40-709.00
Kuwait	0.48320-0.48380	0.29410-0.29430
Luxembourg	57.45-57.55	35.05-35.15
Malaysia	4.4690-4.4800	2.7285-2.7305
Mexico	4565.25-4558.30	2781.00-2791.00
N. Zealand	2.8300-2.8350	1.7280-1.7300
Saudi Ar.	6.1615-6.1665	3.7500-3.7510
[illegible]	[illegible]	[illegible]

CHICAGO

[illegible]

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
1.550	8.80	8.80	8.80	8.80	-	0.15	0.67	2.52
1.575	6.30	6.30	6.34	6.75	-	0.36	1.19	3.50
1.600	3.80	3.99	4.34	5.07	0.05	0.84	2.03	4.68
1.625	1.64	2.35	2.80	3.74	0.37	1.78	3.10	6.17
1.650	0.31	1.19	1.80	2.80	1.54	3.11	4.60	7.76
1.675	-	0.51	1.04	1.99	3.56	4.95	6.48	9.41
1.700	-	0.16	0.60	1.38	5.99	7.20	8.30	11.31

Previous day's open int: Calls 351,448 Puts 351,164 (All currencies)
Previous day's volume: Calls 11,806 Puts 24,836 (All currencies)

POUND SPOT- FORWARD AGAINST THE POUND

Apr.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6350-1.6450	1.6385-1.6395	0.88-0.86cpm	6.37	2.62-2.59pm	6.36
Canada	1.9035-1.9205	1.9075-1.9085	0.30-0.21cpm	1.60	0.83-0.66pm	1.56
Netherlands	3.12½-3.13¾	3.12¼-3.13¼	1¾-1⅝cpm	6.00	5-4⅞pm	6.31
Belgium	57.30-57.65	57.45-57.55	24-22cpm	4.80	70-66pm	4.73
Denmark	10.60½-10.65¾	10.63¾-10.64¾	3½-2⅞orepm	3.38	9⅞-9¼pm	3.60
Ireland	1.0345-1.0435	1.0365-1.0375	0.37-0.32ppm	3.99	0.77-0.67pm	2.78
W. Germany	2.77½-2.78½	2.77½-2.78	1⅝-1½pfpm	6.75	4⅝-4½pm	6.57
Portugal	244.45-246.20	245.15-246.15	4-23cdis	-0.66	87-123dis	-1.71
Spain	176.30-177.20	176.30-176.60	18-5cpm	0.78	44-28pm	0.82
Italy	2039¼-2049½	2040⅝-2041⅝	6-5lirepm	3.23	16-14pm	2.94
Norway	10.72¼-10.79½	10.76¼-10.77¼	2¼-1⅞orepm	2.16	7⅛-6⅝pm	2.55
France	9.32½-9.36½	9.33-9.34	3⅞-3⅝cpm	4.82	11½-11¼pm	4.82
Sweden	10.05¼-10.09	10.06¼-10.07¼	⅝-⅜orepm	0.60	1½-1¼pm	0.52
Japan	257½-258¾	257¾-258¾	1⅝-1½ypm	7.26	4⅝-4½pm	7.45
Austria	19.51-19.58	19.55-19.58	9⅝-8⅞gropm	5.67	29½-26⅝pm	5.74
Switzerland	2.44¾-2.46¼	2.45¼-2.46¼	1¼-1⅛cpm	5.80	3⅝-3⅜pm	5.70
ECU	1.3550-1.3585	1.3550-1.3560	0.52-0.49cpm	4.46	1.52-1.47pm	4.40

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.14-5.09cpm 12 month 9.37-9.27cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6350-1.6450	1.6385-1.6395	0.88-0.86cpm	6.37	2.62-2.59pm	6.36
Ireland†	1.5785-1.5825	1.5800-1.5810	0.42-0.38cpm	3.04	1.40-1.30pm	3.42
Canada	1.1635-1.1700	1.1650-1.1660	0.44-0.47cdis	-4.69	1.41-1.46dis	-4.93
Netherlands	1.9045-1.9120	1.9070-1.9080	0.01dis-0.01cpm	-	0.01-0.04dis	-0.16
Belgium	35.00-35.15	35.05-35.15	2.00-8.00cdis	-1.71	9.00-19.00dis	-1.60
Denmark	6.47-6.49¼	6.48¾-6.49¼	1.60-1.80oredis	-3.15	4.20-4.70dis	-2.75
W. Germany	1.6915-1.7005	1.6945-1.6955	0.07-0.05pfpm	0.42	0.10-0.07pm	0.20
Portugal	149.55-149.90	149.55-149.65	82-92cdis	-6.97	295-315dis	8.14
Spain	107.55-107.90	107.75-107.85	49-54cdis	-5.73	146-155dis	-5.58
Italy	1243-1248	1245¼-1245¾	3.00-4.50liredis	-3.61	10.00-12.00dis	-3.53
Norway	6.55-6.57¼	6.56¾-6.57¼	2.18-2.47oredis	-4.25	6.03-6.47dis	-3.81
France	5.68¾-5.71	5.69¼-5.69¾	0.69-0.74cdis	-1.51	2.10-2.20dis	-1.51
Sweden	6.12-6.14¾	6.14-6.14½	2.60-2.75oredis	5.23	8.10-8.45dis	-5.39
Japan	157.00-157.80	157.45-157.55	0.17-0.15ypm	1.22	0.44-0.41pm	1.08
Austria	11.90½-11.94½	11.93-11.93½	0.30-0.75grodis	-0.53	1.20-2.50dis	-0.62
Switzerland	1.4940-1.5005	1.4995-1.5005	0.08-0.12cdis	-0.80	0.22-0.29dis	-0.68
ECU	1.2045-1.2085	1.2070-1.2080	0.52-0.49cpm	5.03	1.52-1.47pm	4.96

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Apr.6	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.639	2.778	258.3	9.335	2.458	3.128	2041	1.908	57.50
$	0.610	1	1.695	157.6	5.696	1.500	1.908	1245	1.164	35.08
DM	0.360	0.590	1	92.98	3.360	0.885	1.126	734.7	0.687	20.70
YEN	3.871	6.345	10.75	1000.	36.14	9.516	12.11	7902	7.387	222.6
F Fr.	1.071	1.756	2.976	276.7	10.	2.633	3.351	2186	2.044	61.60
S Fr.	0.407	0.667	1.130	105.1	3.798	1	1.273	830.3	0.776	23.39
H Fl.	0.320	0.524	0.888	82.58	2.984	0.786	1	652.5	0.610	18.38
Lira	0.490	0.803	1.361	126.6	4.574	1.204	1.533	1000.	0.935	28.17
C $	0.524	0.859	1.456	135.4	4.893	1.288	1.639	1070	1	30.14
B Fr.	1.739	2.850	4.831	449.2	16.23	4.275	5.440	3550	3.318	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

Apr 6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	14⅞-14¾	15-14¾	15⅛-15¼	15⅜-15¼	15½-15⅜
US Dollar	8⅛-8⅞	8¼-8⅛	8⅜-8¼	8⅞-8⅜	8⅝-8½	8¾-8⅝
Can. Dollar	12⅞-12¾	12⅞-12¾	13⅛-12⅞	13⅜-13¼	13⅞-13⅛	13⅞-13⅛
D. Guilder	8¼-8⅛	8¼-8⅛	8⅜-8¼	8⅝-8⅜	8⅞-8¾	9⅛-8⅞
Sw. Franc	9⅜-9¼	9⅜-9¼	9¼-9⅛	9⅛-9	9⅛-9	9⅛-9
Deutschmark	7⅞-7¾	7⅞-7¾	8-7⅞	8⅛-8¼	8⅜-8½	8⅞-8¾
Fr. Franc	10-9⅞	10-9⅞	10-9⅞	10⅛-10	10⅜-10⅛	10⅜-10¼
Italian Lira	13-11	11⅜-10⅞	11⅞-11⅝	12⅛-11⅞	12⅛-12	13-12⅝
Belgian Franc	10¼-10⅛	10¼-10⅛	10⅜-10⅛	10⅜-10⅛	10¼-10⅛	10¼-10⅛
Yen	7-6⅞	7⅛-6⅞	7¼-7⅛	7⅜-7¼	7⅜-7¼	7½-7⅜
D.Krone	11⅝-11⅜	11⅝-11½	11⅝-11⅜	11⅞-11⅝	11⅝-11¼	11⅞-11⅝
Asian $Sing	8⅜-8¼	8⅞-8⅜	8⅞-8⅜	8½-8⅜	8⅝-8½	8⅞-8¾

Long term Eurodollars: two years 9⅜-9¼ per cent; three years 9¼-9⅛ per cent; four years 9⅜-9¼ per cent; five years 9⅝-9¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.6) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8⅝	offer 8¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

Treasury Bills (sell); one-month 14⅝ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14¾ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.5553 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 30, 1990. Agreed rates for period April 25 to May 25, 1990, Scheme I: 15.90 p.c., Schemes II & III: 16.57 p.c. Reference rate for period March 1, 1990 to March 30, 1990, Scheme IV&V: 15.311 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from April 1, 1990; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989, Deposits withdrawn for cash 5 per cent.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§125	F.P.	-	128	116	ABI Leisure 10p	116	-2	R4.7	3.3	5.4	7.6
§14	F.P.	-	17½	15	‡ADG Group 5p	17		b0.5	3.7	3.9	5.7
-	F.P.	-	206	201½	Argos 10p	202		L5.5	3.0	3.6	9.9
-	F.P.	-	266	251	Courtaulds Textiles	258	-1	W11.6	2.4	6.0	8.9
-	F.P.	-	4¼	¼	Courtwell Group Wrrnts	¼		-			-
§Ir48	F.P.	5/4	47	45	‡Dakota Group Ir25p	45		b04.6%	4.0	2.4	10.9
‡	F.P.	-	148	135	F & C Germany Inv. Tst.	136		-	-	-	-
-	F.P.	-	64	58	Do. Warrants	58		-	-	-	-
§100	F.P.	-	99	88	First Ireland Inv. 10p	90	-1	-	-	-	-
-	F.P.	-	32	26	Do. Warrants	29	+1	-	-	-	-
-	F.P.	-	46	36	First Philipne Inv. Tst.	36		-	-	-	-
-	F.P.	-	22	12	Do Warrants	12	-3	-	-	-	-
-	F.P.	-	14	7	Fisher (Albert) Wrrts.	11	+2	-	-	-	-
100	F.P.	-	94	92	Henderson Highland Tst.	92		K5.25	-	7.6	-
-	F.P.	-	28	25	Do. Warrants	25		-	-	-	-
$100	F.P.	-	£66	£63	Hungarian Investment 1c	£64		-	-	-	-
§100	F.P.	-	108	106	QS Hldgs. 10p	107	-1	L3.75	2.1	4.7	11.8
§100	F.P.	-	98	95	Siam Select. Growth Tst.	98		-	-	-	-
-	F.P.	-	33	30	Do. Warrants	33		-	-	-	-
$$10.5	F.P.	-	641	575	South East Asian Wrrts1c	575	-9	-	-	-	-
§156	F.P.	-	158	151	Torday & Carlisle 5p	151		L6.25	2.1	5.5	8.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	Nil	-	1pm	½pm	‡Bluebird Toys 12pc Cv. Uns. Ln. 2005	½pm	-⅛
-	F.P.	-	85p	10p	Courtwell Group 10¼pc (Net) Cv.Cm.Pf	10p	
100p	25p	-	31ppm	26ppm	Reckitt & Colman 9.5pc Cv Bds 2005	29ppm	
150p	Nil	-	12ppm	7ppm	T & N Non-Int. Brg. Uns. Ln.	7ppm	-2
100p	F.P.	-	100p	96p	Wyndham Group 9.375pc Cm.Pf	100p	
-	F.P.	-	55p	40p	York Trust 8.5p (Net) Rd.Cv Pf 20p	40p	-5

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
5	Nil	15/5	6pm	2½pm	Alphameric 5p	2½pm	-½
265	Nil	-	51pm	45pm	Cairn Energy	50pm	
400	Nil	10/5	44pm	41pm	‡Castle Comms 5p	42pm	-2
1	Nil	24/4	4pm	2pm	‡Craton Lodge & Knight	2pm	-2
290	F.P.	2/5	350	334	Leigh Interests 5p	349	
80	Nil	10/5	11pm	5pm	Life Sciences Intl 10p	10pm	
200	Nil	-	23pm	21pm	Pickwick	23pm	
285	Nil	11/5	77pm	50pm	Simon Engineering	73pm	+5
150	Nil	10/5	16pm	11pm	Staveley Industries	15pm	+½
25½	Nil	10/5	11pm	3pm	Waterford Wedgwood Units	3pm	-1

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

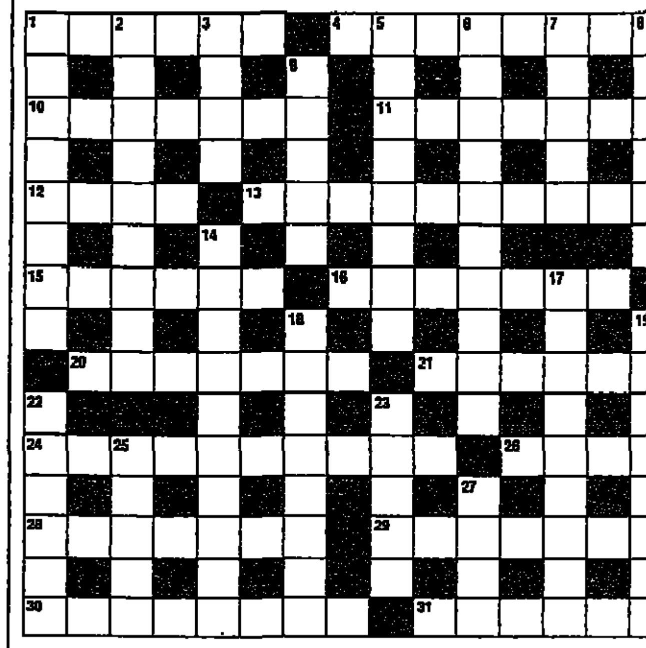
NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of stocks per grouping)	FRIDAY APRIL 6 1990: US Dollar Index	% change since Dec.29 '89	Pound Sterling Index	Local Currency Index	% change local currency since Dec.29 '89	Gross Div. Yield	THURSDAY APRIL 5 1990: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1990 High	1990 Low	Year ago (approx)
Australia (81)	135.81	-10.3	122.85	117.97	-7.4	5.87	135.00	121.93	117.40	158.31	133.38	128.28
Austria (19)	278.90	+53.1	252.29	245.74	+53.7	1.08	279.43	252.38	246.68	285.63	193.15	116.76
Belgium (61)	146.47	-5.3	132.49	126.79	-6.6	4.49	146.27	132.11	126.79	160.02	132.11	132.62
Canada (120)	141.32	-7.1	127.83	119.27	-8.8	3.38	140.73	127.11	119.08	153.61	137.42	133.44
Denmark (36)	250.33	+3.3	226.45	220.97	+1.9	1.46	249.07	224.95	220.19	260.82	236.69	175.93
Finland (26)	136.45	+2.4	123.43	114.67	+1.4	2.61	136.75	123.51	115.01	152.29	130.39	156.19
France (125)	161.11	+3.3	145.74	143.93	+1.7	2.71	157.96	142.67	141.61	161.11	141.69	117.76
West Germany (94)	136.58	+10.4	123.55	120.36	+10.6	1.78	135.88	122.72	120.05	137.71	122.05	85.20
Hong Kong (48)	122.28	+4.4	110.61	122.46	+4.3	5.06	122.64	110.77	122.81	124.24	112.24	127.47
Ireland (17)	185.89	+2.4	168.15	165.79	+0.6	2.59	185.47	167.51	165.71	198.57	181.49	144.94
Italy (96)	98.70	+0.3	89.28	91.81	-1.5	2.52	97.66	88.20	91.20	102.11	91.85	81.25
Japan (454)	133.66	-32.3	120.90	133.07	-25.8	0.62	128.22	115.80	127.77	197.26	124.40	189.60
Malaysia (35)	213.00	-7.0	192.68	223.91	-5.9	2.39	216.40	195.46	227.41	245.32	213.00	163.67
Mexico (13)	388.03	+19.2	351.00	1181.97	+23.5	0.44	387.87	350.32	1181.89	409.41	324.53	166.23
Netherland (43)	139.59	-3.0	126.27	121.53	-3.2	4.63	139.31	125.83	121.60	145.66	130.43	118.17
New Zealand (17)	61.15	-15.2	55.32	56.14	-12.9	7.82	60.75	54.87	55.80	75.36	60.31	68.26
Norway (25)	232.06	+16.1	209.92	206.94	+15.7	1.61	231.90	209.45	207.03	245.90	202.34	176.15
Singapore (26)	185.88	+4.9	168.14	160.57	+3.5	1.77	187.28	169.15	161.99	199.38	179.70	144.54
South Africa (60)	184.89	-5.9	167.25	160.70	+5.7	3.68	184.89	166.99	160.70	251.39	180.87	140.11
Spain (42)	138.61	-15.0	125.39	113.20	-16.2	4.69	136.76	123.52	111.94	165.19	132.84	153.25
Sweden (35)	179.49	-6.5	162.36	163.21	-7.3	2.41	177.30	160.14	161.16	206.95	173.89	160.14
Switzerland (64)	91.85	-2.4	83.09	85.42	-5.0	2.29	90.87	82.07	84.56	99.12	88.75	76.25
United Kingdom (307)	147.95	-6.8	133.83	133.83	-8.3	4.93	149.26	134.81	134.81	164.31	144.69	144.59
USA (537)	137.43	-3.9	124.32	137.43	-3.9	3.49	137.74	124.40	137.74	145.40	130.81	121.02
Europe (990)	140.54	-1.3	127.13	125.09	-2.5	3.53	140.20	126.62	124.92	146.66	135.57	118.35
Nordic (122)	187.49	+0.1	169.60	161.40	-0.9	1.98	186.16	168.14	160.86	201.89	185.01	153.98
Pacific Basin (661)	133.28	-30.8	120.56	131.96	-24.6	0.96	128.25	115.83	127.10	192.75	124.63	184.50
Euro-Pacific (1651)	136.57	-20.9	123.54	129.92	-16.9	2.03	133.43	120.51	127.05	174.18	130.35	168.05
North America (657)	137.57	-4.1	124.44	136.26	-4.1	3.49	137.82	124.48	136.53	145.78	131.02	121.66
Europe Ex. UK (683)	134.17	+2.3	121.36	119.23	+1.4	2.69	132.92	120.05	118.42	135.73	124.81	101.96
Pacific Ex. Japan (207)	128.06	-5.1	115.84	115.88	-3.3	5.21	127.92	115.53	115.84	139.32	126.76	123.53
World Ex. US (1844)	137.34	-20.3	124.24	130.21	-16.3	2.10	134.32	121.32	127.47	173.77	131.30	157.01
World Ex. UK (2074)	135.17	-16.0	122.27	132.38	-12.8	2.33	133.01	120.13	130.38	162.00	130.80	142.92
World Ex. So. Af. (2321)	136.00	-15.3	123.02	132.28	-12.6	2.58	134.14	121.15	130.56	161.84	131.95	143.07
World Ex. Japan (1927)	139.04	-3.1	125.77	132.23	-3.3	3.57	139.04	125.58	132.31	145.52	135.25	120.73
The World Index (2381)	136.29	-15.2	123.28	132.48	-12.4	2.59	134.45	121.43	130.77	162.05	132.25	143.05

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent changes: Insertions: Argos (UK)(6/4) and Jacobs Suchard (Reg.)(Switzerland)(4/4). Deletions: Taiyo Kobe Bank (Japan)(2/4),Torras Grupo (Spain)(5/4) and Investa AS (Norway)(6/4).Name changes: Blue Arrow to Manpower (UK)(2/4) and Mitsui Bank to Taiyo Kobe Mitsui Bank (Japan)(2/4).South African market closed April 6.

CROSSWORD

No.7,210 Set by QUARK



ACROSS

1 Derby, with leader dropping out, an upset; could be close (6)
4 Could produce drop in performance (4-4)
10 Somehow attunes to a complaint (7)
11 Using money – no capital left in the balance (7)
12 They're often involved in a row (4)
13 Mug holding a view relating to separation (10)
15 Girl – a graduate, and lively (6)
16 One collecting things loses first two, becoming seeker of retribution (7)
20 See 3, 6 and 24 (7)
21 Catch? One would be held when under it (6)
24 At 20, where the competition may be in tents! (6,4)
26 One of two of the best wines (4)
28 Watery compound producing dry heat? (7)
29 One officer after a drink goes for walk with supports (7)
30 What accompanies stuff supplied by Lear? (8)
31 Accommodation limited? (6)

DOWN

1 Relating to race? (8)
2 Later consequences following study of numbers in America? (9)
3 Insult built up on heads from 20? (4)
5 Rescue from wriggling viper in short grass (8)
6 They're not so young at 20 (10)
7 Constellation hunter (5)
8 Feast with English beer coming up (6)
9 Echo-sounder in man-of-the-sea's dictionary (5)
14 Doctor's developed medicine finally, at a cost (10)
17 Diesels we adapted in the plant (9)
18 Make one's mark repeatedly (8)
19 Refuse to agree project (5,3)
22 Asian dog blanket (6)
23 Plant that gets regularly worn out (5)
25 Could describe times when gilt dropped first (5)
27 Some rumour getting to press (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 21.

JOTTER PAD

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,251.6	ANZ $A1	241	-1.2	8.2	8.1	Feb July	1698
2,541.4	Abbey National 10p	194	-0.3	3.9	12.3	Apr Oct	5411
1,431.4	Allied Irish Ord.	259	-1.1	3.1	27.11	Dec July	1354
1,284.7	Algemene Fl 10	£12⅞	-2.5	7.3	2.5	Aug May	1567
32.7	Anglo Irish	82	......	5.4	27.11	Jan Aug	1355
136.3	Ansbacher (H.) 1p	73	+1.4	4.6	12.3	April	1624
1,204.9	Bancaire Cie Fr100	£70¼	+13.7	2.0	9.5	May Mar	2202
4,033.2	Banco Bilbao Viz.	£16⅝	....	4.3	9.12	Dec June	–
2,738.7	Banco de Santander	£24¼	....	4.7	31.10	Apr Oct	–
861.5	Bank Ireland Ir£1	258	-1.9	4.5	27.11	July Dec	1360
134.4	Bank Leumi	£19½	...	–	–	–	1740
23.6	Bank Leumi (U.K.)	345	...	5.2	26.2	Mar Sep	1740
852.2	Bank Scotland	113	-5.0	4.5	2.10	Nov June	1742
92.5	Do. 9¼pc Irrd Pf	92½	+0.5	13.3	30.10	May Nov	1462
16.6	Bank of Wales	52	....	7.2	2.10	Nov Jun	1743
6,429.3	Barclays £1	572	-2.6	6.4	12.3	Oct May	1754
8.58	Benchmark 20p	16	.	14.2	18.9	May Oct	1802
50.2	Brown Shipley £1	315	. .	4.4	27.11	Jan Aug	1983
76.7	Cater Allen £1	404	-1.2	7.8	27.11	Jan July	2081
34.6	Chancery	170	+5.6	6.3	27.11	Jan July	2102
477.0	Commerzbk DM10	£21¼	-4.4	3.1	27.5	May	1046
328.6	C'hgn. Hbk. Kr100	£24⅝	-2.0	5.6	20.3	March	2237
25,139.4	Dai Ichi KBk Y50	897xc	-1.4	0.3	4.7	June	3221
8,869.3	Deutsche Bk DM50	£292	-1.6	1.7	11.5	May	2345
140.6	Espirito Santo	£19⅝	+1.9	2.3	–	June	5187
359.6	First Nat. Fin. 10p	228	+2.2	7.6	15.1	Mar Aug	2571
57.2	FNFC 6.3pc Cv. Pf	118	+4.4	7.1	27.12	July	2570
34,831.4	Fuji Bank Y50	953	-17.4	0.3	4.7	Dec June	1084
107.1	Gerrard & National	281	+2.6	8.8	30.10	June Dec.	2686
94.6	Guinness Mahon 10p	146	-1.4	1.9	27.12	Jun Feb	5074
436.2	Hambros 20p	269	-1.1	5.0	11.12	Jan Sep	2812
162.0	Do. 7.5pc Cv Pf	108	....	9.3	12.3	Apr Oct	4388
3,140.7	HK & Shang HK$2.50	54	-2.7	6.1	17.4	May Sep	–
24.0	Joseph (Leo) £1	458	.....	4.6	11.12	Jan Sept	3060
21.5	King & Shaxson 20p	136	-1.4	9.1	13.11	–	3088
486.4	Kleinwort Benson Grp.	347xd	-0.3	5.8	26.3	May Nov	3102
5,571.1	Kyowa Bank Y50	428xc	-6.1	0.7		Mar Sept	3049
3,522.1	Lloyds £1	286	-5.0	6.3	26.2	Oct May	3171
28.6	Lon. Scot. Bank 10p	48	-2.0	6.7	29.1	Mar July	4651
2,636.9	Midland £1	338½	+1.0	7.1	26.2	May Oct	3380
29,176.6	Mitsubishi Bank Y50	£10⅛	.....	0.3	4.7	June Dec.	5290
10,186.6	Mitsubishi Tst & Bk Y50	£7⅞xc	+7.3	0.4	–	–	4775
26,594.3	Mitsui Bank Y50	£8¼	... ...	0.4	–	Sept Mar	–
7,305.7	Mitsui Tst. & Bk Y50	610	+2.2	0.5	8.12	Sept Mar	5388
3,306.6	Nat. Aust. Bk A$1	292	+1.0	7.7	21.12	July Jan	3456
5,485.5	NatWest £1	345	-2.0	6.5	26.2	Oct May	3463
95.0	Ottoman Bank	£190	-5.0	6.1	18.5	May	–
16.9	Rea Bros. Group	43	+7.5	1.6	4.9	May Oct	3785
510.8	Rothschild (J) Hldgs.	181	-2.7	7.0	13.11	Jul Dec	3864
1,402.4	Royal Bk. Scotland	186	+0.5	5.3	11.12	Mar Aug	3874
5,082.3	Saitama Bank Y50	500	+0.2	0.5	8.12	Sept Mar	5286
11,902.8	Sanwa Bank Y50	849	-9.7	0.4	11.12	June Dec	5108
385.8	Schroders £1	1600xd	....	2.1	26.3	Oct May	3939
79.7	Do. £1 N/V	1250xd	....	2.7	26.3	May Oct	3941
2,098.1	Sec. Pacific $10	£21⅛	-7.2	5.4	27.7	Fb My Ag Nv	3985
1,254.0	Standard Chartd. £1	537xc	-1.6	8.7	26.3	May Oct	4094
24,547.1	Sumitomo Bank Y50	£9½xd	-3.8	0.3	27.3	June	3079
8,749.0	Sumitomo Tst & Bk Y50	£7⅛xc	+5.6	0.4	–	–	4918
2,020.2	TSB	134½	-3.2	5.7	12.2	Oct Mar	4320
20.9	TSB Ch'nel Is'l	142	+2.9	4.7	11.12	Feb Aug	4319
12,315.7	Tokai Bank Y50	£6⅜	-1.9	0.5	–	Sept Mar	5359
5,466.7	Toyo Tst & Bk Y50	672	+2.6	0.4	8.12	Sept Mar	1393
100.9	Union Discount £1	538	.. ..	8.2	12.2	Mar Sept	4353
904.2	Warburg (S.G.)	477	-0.2	3.5	27.11	July Dec	4425
67.6	Do. 6pc Cnv Prf	159	+0.6	5.0	26.2	Mar Sept	4426
2,821.1	Westpac $A1	241	+3.4	9.8	28.12	Jan July	4473
34.5	Wintrust 20p	408	-0.5	2.5	12.2	Oct Mar	4524
6,541.0	Yasuda Tst & Bk Y50	627	-0.2	0.5	–	Sept Mar	5347

Hire Purchase, Leasing, etc.

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
79.2	Anglo Grp 10p	238	+1.3	2.8	13.11	Dec Aug	1613
51.8	Do. 9½pc 1999	£103½	....	9.2	–	September	–
52.0	CLF Yeoman 50p	130	-3.7	8.0	5.6	Jan July	1162
38.0	Cambridge Grp Ir5p	65	-4.4	0.5	–	Nov June	5358
13.3	Capital Leasing Ir 10p	47	+17.5	2.4	27.12	Jul Jan	1641
38.4	Cattle's (Hdgs) 10p	58	....	8.5	4.9	May Oct	2082
196.6	Prov. Financial	390	+0.8	7.0	26.2	Nov Apr	3731
25.6	Reflex Invs. Ir5p	220	....	0.8	27.11	July Dec	4940
31.2	Secure Trust Grp. 1p	220	-2.2	5.3	2.10	Jun Nov	1472
274.7	Woodchester IR20p	200xd	-3.4	1.5	26.3	Sep May	1487

BEERS, WINES & SPIRITS

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
3,268.0	Allied-Lyons	430	-3.6	4.7	11.12	July Feb	1550
7,066.5	Anheuser-Busch $1	£23⅜	+3.3	1.6	4.8	Mr Jn Se De	1620
3,326.3	Bass	937	-0.3	4.0	6.12	Feb July	1772
133.8	Boddington	139	-1.4	5.0	2.10	May Nov	1862
92.3	Bulmer (H.P.) 5p	178	-0.6	5.2	27.12	Sept Feb	2005
43.3	Burtonwood Brewery	208	-1.9	2.3	13.11	Feb Aug	2022
30.0	Clark (Matthew)	337	-5.1	5.1	26.2	Apr. Oct.	2153
102.8	Devenish (J.A.) 5p	204	-2.4	3.0	27.12	Feb July	2346

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
19.8	Abtrust New Dawn... y	132	-2.2	–	5.10	–	4601
2.31	Do. Warrts......... y	77	-2.5	–	–	–	4600
1.80	Do. B Warrants.... y	68	.....			–	1291
38.0	Abtrust New European I.T. y	95	-2.1	–	–	–	–
3.44	Do Warrants..... y	43	......				

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TRUSTS, FINANCE, LAND—Contd

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
75.6	St. Andrew Tst.... β	220	+0.2	3.8	26.2	Oct. April	4084
4.67	St David's Inv Tst Inc y	114	......	14.0	26.2	Oct. Mar.	4086
4.92	Do. Cap........... y	120	-0.8	–	–	–	4085
15.5	SPLIT Inc. 10p.... y	295	......	16.0	30.10	Dec June	3923
30.2	SPLIT Cap 10p..... y	635	-3.1	–	–	–	3922
24.9	SPRAIT 50p .... y	166	-1.2	3.5	11.12	Dec June	3925
3.48	Do. Warrants..... y	116	-1.7	–	–	–	3926
18.4	Do. Cum Ptg Pref... y	122½	......	10.6	30.10	May Nov	–

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Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	Intl Pet Crpn	134	+0.8	–	–	–	–
16.0	KCA Drilling 1p. y	20	+5.3	–	9'85	–	3073
80.0	Kelt Energy 10p... β	27	-6.9	–	4'86	–	2211
12.9	Do. 6pc Cv. Prf..... y	43	.....	18.6	26.2	Apr Oct	5069
12.4	Kingston Oil & Gas 50p y	141	+2.2	0.7	30.10	May Nov	3091
1,438.4	LASMO.......... α	601xd	+1.0	2.5	26.3	May Nov	3189
11.0	Do. "Ops" 10p .. β	155xd	.....	18.6	26.3	May Oct	3190
38.4	Do 9¾pc CnRdPf £1 y	96	.....	13.4	27.11	July Jan	3188

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OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
14.9	Anglo-East Plants... y	68	......	3.9	16.10	July Nov	1618
14.0	Bertam 10p..........	70	......	3.8	17.7	August	1816
296.3	Cons. Plants M$0.5...	42	-10.6	‡	12.3	Apr. Nov	4081
327.3	Golden Hope Plts. M$1	42xd	-8.7	8.0	26.3	Aug Jan May	2839
175.3	Highlands M50c.....	58	-12.1	8.0	18.9	Jun Oct.	2893
364.4	Kuala Kepong M$1.	86	-1.1	4.6	26.2	Mar Oct	3109
4.05	Lendu Hldgs. 5p......	45	+12.5	2.7	8.5	Dec Jun	3154
16.8	Rowe Evans Inv. 10p. y	57	......	4.7	10.7	August	3868

Teas

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
5.57	Moran 10p............	125	......	1.1	5.6	Jan July	3411
31.5	Williamson £1.......	1375	......	2.4	13.11	May. Jan.	4512

MINES

Central Rand

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
7.09	Durban Deep R1.....	305	-11.6	–	12'86	–	2389
42.9	East Rand Prp. R1...	258	-5.1	–	6'81	–	2399
37.3	Egoli Cons.J.	35	-7.9	‡	20.6	Apr Oct	–
223.2	Randfont'n Est. 20c...	365	-7.1	8.6	15.1	Feb Aug	3767
2.16	Simmer & Jack 2c..	32	....	–	3'87	–	–
9.35	West Rand R1.... ..	220	-4.3	4.4	29.1	March	–

Eastern Rand

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
6.16	Bracken 90c.	44	-8.3	24.8	8.5	Jun Dec	1928
25.7	East Dagga R1	326	-6.9	9.2	22.5	June Dec	2396
82.0	Eastern Trns. Cn. 50c.	£19	-2.6	5.3	11.12	Jul Jan	–
103.9	ERGO 50c............	247	-6.8	13.2	13.11	Dec. June	2398
11.4	Grootvlei 25c........	108	-7.4	8.4	29.1	Sept Mar.	2779
160.2	Kinross R1.	890	-10.1	8.4	8.5	Jun Dec.	3092
16.3	Leslie 65c.	102	-7.3	13.9	8.5	Jun Dec.	3157
4.21	Randex 25c...	63	-7.4	–	12'86	–	–
0.96	Roodepoort Gold.....	4	-11.1	–	–	–	–
3.67	S. African Ld. 35c...	40	-27.3	–	12.2	Mar. Sept.	–
2.72	Viakfontein 20c.....	40	-4.8	–	6'88	–	–
144.6	Winkelhaak R1......	£11⅞	-15.4	6.5	8.5	Jun Dec.	4522

Far West Rand

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
52.6	Blyvoor 25c......	219	-2.7	3.8	15.1	Jan. Aug.	1857
101.8	Buffels R1.	925	-1.1	15.2	29.1	Sept Jan Mar	2000
261.8	Deelkraal 20c.......	263	-4.4	‡	27.12	Feb Aug.	2330
42.0	Doornfontein 25c...	105	-8.7	3.4	3.7	Feb Aug	2364
1,521.8	Driefontein 50c......	746	-5.0	‡	27.12	Aug. Feb.	1062
464.7	Elandsrand Gld. 20c..	481	-9.2	‡	12.2	Mar Sept	2432
22.7	Elsburg R1...........	75	-3.8	–	1'87	–	2453
477.1	Hartebeest 10c.......	426	-5.3	‡	11.12	Jan Jul	2841
729.0	Kloof Gold 25c..	682	-8.1	5.0	27.12	Feb. Aug.	3104
38.0	Libanon 20c.....	95	-12.8	‡	27.12	Feb Aug	3162
653.3	Southvaal 50c.......	£25⅛	-9.9	6.8	12.2	Sept Mar	4065
40.8	Stilfontein 50c......	312	-6.9	25.5	29.1	Sep Mar	4117
1,061.6	Vaal Reefs 50c......	£55⅞	-9.9	8.2	12.2	Mar Sept.	4382
19.2	Venterspost 25c.....	95	-10.4	15.2	3.7	Feb. Aug.	1218
46.8	Western Areas R1. .	116	-9.4	–	1'87	–	4476
632.4	Western Deep R2....	£23¼	-6.1	5.7	12.2	Mar. Sept.	4477
91.1	Zandpan 10c.........	70	-7.9	10.4	3.7	Feb Aug	1234

O.F.S.

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
374.0	Beatrix Mines‖ ..	440	-3.3	5.5	12.3	Apr Oct.	1782
805.1	F.S. Cons Gold 50c	693	-6.4	10.2	13.11	June Dec	2629
39.2	Free State Dev. 10c.	180	-5.3	–	–	–	2630
143.3	Harmony 50c...	533	-0.4	2.3	3.4	Oct May	2833
132.3	Joel (H.J.) Gold 1c..	135	-3.6	–	–	–	3044
26.7	Loraine R1...	163	-11.9	–	14.11	–	3220
61.9	St. Helena R1........	643	+0.5	11.4	29.1	Sept Mar	4087
117.6	Unisel.....	420	-7.5	6.2	19.9	May Dec.	4356

Diamond and Platinum

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
1,550.0	Anglo Am. Inv. 50c.	£155	+0.9	4.5	31.10	Dec June	–
166.5	Barplats Mines R3.51...	79	......	–	–	–	1419
4,542.3	De Beers Df 5c......	£12⅝	-0.7	5.5	2.10	Nov May	–
2.40	Do. 40pc Pf. R5. ..	300	-3.8	16.0	28.12	Feb Aug	–
680.4	Impala Plat. 20c....	£11⅛	-2.2	5.4	26.2	Mar Sep.	2970
130.7	Lydenburg 12½c.....	825	-5.7	5.3	12.2	Mar Sept.	–
113.8	Northam Platinum..	395	......	–	–	–	3523
1,425.5	Rus. Plat. 10c.......	£11⅜	-5.2	6.3	12.2	Mar Sept	5890

Central African

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2.40	Falcon Z50c	12	-7.7	–	10.87	–	2538
4.05	Wankie Col .Z$1...	16	.....	–	9.9	–	4424
12.3	Willoughby's Cons. 50p..	120	......	6.7	26.2	Apr Jly	1372
3.30	Do. Pfd. 1p..........	50	......	16.0	26.2	July	5251
30.6	Zam.Cpr.SBD0.24..	25	.....	–	9'80	–	4568

Finance

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
294.9	Ang. Am Coal 50c..	£11¼	-1.1	6.1	27.11	Dec June	1607
4,342.4	Anglo Amer. 10c....	£19	-7.3	3.4	27.12	Jan Aug	1608
1,237.5	Ang. Am. Gold R1...	£56½	-2.1	5.4	2.10	May Nov	1609
156.0	Anglovaal 5c.........	£8¼	-2.8	2.5	11.12	Jan Aug	–
43.3	♦Cluff Res.. .... β	91	......	1.5	–	–	2167
1.09	♦Do. Warrants.... y	27	-3.6	–	–	–	2168
512.6	Genbel R1	£10½	-6.7	6.0	12.2	Mar Oct	–
170.2	Gencor 4c	172	-8.0	4.9	22.2	Nov May	4956
3.55	Gold & Base 12½p y	24	......	2.8	8.5	June	2716
1,445.6	Gold Fields S.A. 5c..	£14½	-6.5	3.3	29.1	Mar Sep	2717
1,032.3	Jo'burg Cons. 10c...	708	-15.3	3.8	26.2	Mar Oct	–
226.4	Middle Wit 1c......	90	......	1.6	27.12	Aug. Feb.	–
1,646.9	Minorco $1.40......	967	-1.8	2.6	2.10	May Nov	1237
77.3	Monarch Res. 10p. y	595	-0.8	–	–	–	3401
55.4	New Wits 25c......	240	-9.4	4.5	29.1	Feb Sep	–
385.6	OFS Invs 1c...	£17¼	-7.4	10.7	13.11	June Dec	3564
2.75	Rand London 15c....	2	-33.3	–	10'80	–	3764
290.7	Rand Mines R1......	£19½	-0.6	6.9	12.6	July Jan	3765
40.3	Rand Min. Props R1	325	-3.8	10.4	13.11	June Jan	3766
16.6	Vogels 2½c. ...	90	-10.0	16.0	29.1	Sep Feb	4407
–	Waverley Min Fin 5p y	70	-1.4	–	28.11	–	4743

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

MINES—Contd

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
30.4	Anglesey Mining 9p.. y	143	-1.4	–	–	–	5186
1.40	Do Warrants. . ...y	70	.. .	–	–	–	5072
–	Anglo-Dominion .	13½	.....	–	–	–	–
174.7	Bond Intl Gold... .	524	-3.0	–	–	–	–
27.5	Butte Mining 10p.. y	25	-10.7	–	–	–	2024
–	♥Colby Res Corp..	21	....	–	–	–	–
2.81	Cons. Murch. 10c	45	+18.4	18.1	17.7	Aug. Feb.	2216
–	♥DRX Inc	10	....	–	–	–	5077

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Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	♥New Sabina Res C$1	14¼	+0.9	–	–	–	–
44.5	Northgate C$1	353	-6.4	–	10.77	–	–
–	♥Nor-Quest Res.....	12½	-21.9	–	–	–	–
13.3	Plateau Mining 20p. y	71	-9.0	–	–	–	3407
5,318.8	RTZ 10p ... . α	541xd	+1.7	4.6	26.3	Dec Jul	3880
–	♥Thorco Res. Inc ‖..	13	.....	–	–	–	–
14.3	♦Young Group 10p . y	153	-1.3	6.8	26.2	Apr Oct	5080

THIRD MARKET

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
1.38	ASB Barnett 2p. .. y	43	.. .. ..	3.1	8.5	July	5022
0.74	Amertoeur Energy 10p	4xd	.	–	–	–	1591
7.57	Analysis Hldgs 20p .. y	17	-10.5	–	–	–	2781
1.67	Andaman Res 10p... y	33	-17.5	–	–	–	1606
1.79	Associated Farmers	88	. ..	–	–	–	1455
5.98	Automobiles of Dist. 5p y	18½	. . ..	–		–	1404
14.2	Barbican Hldgs. 1p . y	1	.. . ..	–	–	–	5060
–	Biocure 1p . ... . y	43	-4.4	–	–	–	–
2.56	Blackland Oil 10p. y	31	-6.1	–	–	–	–
2.77	Bormin Exploration. y	15	. ...	–	–	–	1363
2.84	Cafe Inns £1	220	...	–	–	–	–
0.78	Caldwell Invs. 10p. y	15	+15.4	–	13.3	–	5166
5.78	Caspen Oil 10p..... y	14½	+7.4	–	–	–	1993
1.78	Chelsea Artisans 5p y	79	....	1.7	22.5	July	2111
0.70	ChemEx Intl... ...y	13	..	–	–	–	2113
4.43	Citybond Storage Serv...	215	. .	–	–	–	2829
1.41	Courtyard Leis. 5p. y	17	-5.6	–	–	–	2274
1.20	Crown Eyeglass 5p y	79	....	–	–	–	2283
1.19	Dana Expl........ .. y	15	....	–	–	–	5055
6.28	Edencorp Leisure 5p. y	14	-12.5	3.6	27.12	January	4687
3.36	Edinburgh Hlb 2p y	26	....	–	–	–	–
3.68	Eglinton Expln. Ir 50p y	53	-3.6	–	–	–	1415
0.92	Do. Wrrnts .... y	14	....	–	–	–	1414
4.39	Far East Res. 10p . y	16	... .. .	–	–	–	2540
7.92	Fast Forward Inns...	120	.. ..	–		–	2835
3.34	Feltrim Min.IrO 20.. y	30	.	–	–	–	4920
6.66	Glencar Expln .... y	36	-2.7	–	–	–	1435
16.5	Haemocell 1p..... . y	132	-12.0	–	–	–	1459
9.02	Hartley Baird 5p.. y	46	-13.2	2.2	12.3	Jan Apr	1843
2.77	Hillclare 5p..... . .. y	100	....	–	–	–	5125
5.50	Honorbilt Group 5p . y	8	....	–	–	–	2920
4.32	Hoskins Brewery 50p.	75	. ...	–			3410
2.68	Intercare Group 2½p y	62	. . ..	–	18.10	–	4889
4.88	Intl. Comm & Data 5p. y	13½	-3.6	–	–	–	3735
9.41	Ivernia West...... . y	38	+31.0	–	–	–	5275
2.22	Kells Mins. Ir5p.... y	92	+8.2	–	–	–	3741
0.81	Kemp (P E.) 5p..... y	18	....	–	3.7	–	3077
0.90	Kromagraphic 1p . y	5	.. ..	–	–	–	1428
3.29	LGW 5p. .... y	74	...	3.6	8.5	June	4979
17.9	Leading Leisure 5p... y	32	.. ..	8.3	14.8	Sept Apr	3142
74.3	M.L. Labs 1p. .. y	298	+1.7	–	–	–	4578
1.82	Malaya Group 10p... y	36	. . . .	7.4	18.9	October	3437
5.22	Mid-States 10p.... y	67xd	-1.5	–	–	–	1845
0.88	Moray Firth 1p..... y	5	. .....	–	–	–	3412
–	Navan Resources. . y	35	....	–	–	–	1185
2.74	Ovoca Gold IR 2p . y	46	-4.2	–	–	–	1470
6.67	Oxford Virology 5p.. y	48	-5.9	–	–	–	2712
4.66	Pennant Grp. 2p .. α	25	+31.6	1.1	19.6	August	4969
12.5	Poddington 5p. .... y	73	+2.8	–	–	–	3117
5.70	Ramsden's (Harry). y	95	-2.1	6.3	–	January	2011
7.37	Rentaminster 5p... y	44	-4.3	5.6	–	Mar Oct	5228
0.98	Scott Pickford 10p... y	14	+16.7	3.6	17.7	August	5062
3.35	Sempernova......... y	24	-4.0	–	–	–	1645
6.00	Sleepy Kids 5p...... y	30	-3.2	–	–	–	5068
2.49	Swanyard Studios 1p y	1¼	-12.5	–	–	–	4666
7.73	Tomorrows Leisure 20p y	69	-9.2	–	–	–	4248
1.89	UPL Group 10p. . y	47	-6.0	‡	22.5	Dec. July	4362
8.81	Unit Group.......... y	166	+6.4	4.0	11.12	Jan Aug	4357
12.7	Video Magic Leis. 1p y	77	....	3.5	26.1	Jan July	5071
4.08	Vista Ents 5p..... . y	4¼	-5.6	–	–	–	3994
8.03	Vizcaya Hldgs 5p.. y	15	-6.3	–	–	–	4193
52.2	Whitegate Leisure 20p. y	33½	-9.5	1.0	12.2	April	1105
1.00	Do. Wrrnts.......... y	15	-28.6	–	–	–	1116
20.1	Wilton Group 1p... y	4½	-10.0	–	–	–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
● "Tap Stock"
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
‡‡ Not officially listed.
‖ Price at time of suspension
♦ Not comparable
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date.
‖ No par value
B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.. y	88	.....
Craig & Rose £1.. y	810	-1.2
Finlay Pkg. 5p.... y	57	-1.7
Holt (Jos) 25p..... y	1333	-0.7

IRISH

Cap. 8½% Ln 1991..	£96¼	.....
9pc Cap Ln 1996..	£92½	+1.4
Fin. 13% 97/02. .	£109	.....
Arnotts..	450	-1.5
Carrol (P J.) ...... y	160	-4.8
Hall (R. & H.)......	135	-25.0
Helton Hldgs....... y	80	-8.0
IRG	215xd	.....
United Drug	165	-1.8

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5¼
BAT	83
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	98
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sdd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petlm.	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm.	12
Gaelic Res.	4½
Premier	10
Shell	37
Tuskar Res.	10
Ultramar	31

Mines

Lonrho	22
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

4pm prices April 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	26½	AAR	.48	1.6	18	22	29½	29¼	29½	
9¾	8½	ACM n	1.01	11.		125	9⅛	9	9⅛	
11⅝	10½	ACMIn	1.26	12.		606	11	10¾	10¾	- ⅛
9⅞	7¼	ACM M	n1.01	12.		252	8¼	8⅛	8⅛	- ⅛
12⅛	11⅛	ACMMM				136	11⅝	11½	11⅝	
11½	10	ACM Sc	1.26	12		636	10⅝	10⅝	10⅝	- ⅛
9⅝	8⅜	ACMSp	1.01	12.		510	8⅝	8½	8½	- ⅛
22⅝	13	AL Lab	.16	.7	21	82	22¼	21¾	21¾	- ¼
4⅛	3⅛	AMCA	.12e	3.8	39	11	3⅛	3⅛	3⅛	
6⅛	2⅞	AM Intl			9	902	2⅞	2¾	2¾	
107¼	52½	AMR			9	2687	64⅛	63¼	63½	
27	25	ANR pf	2.67	10.		7	25¾	25¾	25¾	
5⅛	3⅛	ARX				70	3⅝	3½	3⅝	
72¾	39	ASA	3a	5.8		808	52⅛	50¾	51⅞	+ 1⅛
70⅞	53¼	AbtLab	1.68	2.5	18	3639	67⅞	67	67⅞	+ ⅞
17¾	11¼	Abitibi g	.50			39	13½	13⅜	13⅜	+ ⅛
13	8⅞	AcmeC	.40	4.1	11	48	9⅝	9⅝	9⅝	
9¾	7	AcmeE	.32	3.8	11	58	8⅜	8⅜	8⅜	- ⅛
38½	28⅛	Acuson			22	374	36⅛	35⅝	35⅞	- ¼
16½	13⅛	AdaEx	2.06e	13.		107	15⅞	15¾	15¾	- ⅛
15⅜	7⅜	Adobe				554	12⅞	12½	12⅝	- ¼
20¼	16⅞	Adob pf	1.84	9.7		37	19	19	19	
21⅝	19⅞	Adob pf	2.40	11		7	21½	21⅜	21⅜	- ⅛
10½	6⅞	AMD			20	2264	9¼	8⅞	9	
35	28¼	AMD pf	3	9.6		19	31½	31¼	31¼	- ¼
10⅛	5	Advest	.16	3.1	7	10	5⅛	5⅛	5⅛	- ⅛
62½	48⅜	AetnLf	2.76	5.5	9	1765	50⅜	49⅝	50	- ½
14	9⅞	AhIPb	.24	2.3		1674	10½	10¼	10⅜	+ ⅛
25	16⅜	Ahmans	.88	5.3	9	4558	17⅝	16⅝	16¾	- ⅝
3⅞	1⅞	Aileen				98	1⅞	1⅞	1⅞	- ⅛
53¼	40	AirPrd	1.32	2.6	13	1571	51⅛	50½	50¾	- ⅛

Continued on Page 33

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10⅝	6⅞	RLI Cp	.40	4.0	7	73	10	9⅞	10	+⅛
19¼	11¼	ROC Fd	.39e	3.3		346	11½	11⅜	11⅜	−⅛
6¼	5¼	RPC			17	12	6⅜	6⅜	6⅜	−⅛
6½	5⅛	RPS	.82e	15.	7	240	5⅞	5⅞	5⅞	
85¼	49⅛	Racal	.28e	.5	38	275	58	57⅞	57½	−⅛
101½	77¾	RalsPur	1.86	2.2	15	542	84½	83⅝	84⅜	+⅛
6⅞	5⅛	RangrO	.06e	.9	24	884	6⅝	6⅝	6⅝	−⅛
39¼	25⅛	Raycm	.32	1.2	36	3362	26⅞	26	26	−½
19⅝	13⅝	RJamesF	.24	1.3	7	4	18¾	18¾	18¾	−¼
28½	18	Rayonr	3.60	15.	6	66	23⅞	23⅝	23⅝	
2⅞	1⅞	vjRaytc			5	3	2¼	2⅝	2¼	
85	60	Raythn	2.40	3.7	8	667	65⅛	65	65⅜	−⅛
24⅞	21	RdrDg n				769	24	23⅝	23¾	−⅛
5	16-16	RdgB n				521	2½	2¼	2⅜	
17	14⅛	REIT	1.42	9.5	10	40	15⅛	15	15	−⅛
12⅞	5	RecnEq				217	5⅜	5	5⅜	+⅛
20	12⅛	Reebok	.30	1.6	12	2240	18⅜	17⅞	18⅜	+⅜
16	8⅝	Reece	.16e	1.7		10	9	9	9	
½	6-32	Regal				201	¼	7-32	¼	+1-32
15⅝	12½	ReichTg	1.78e	12.	8	3	14¼	14¼	14¼	+⅛
6⅞	4⅞	RelGrp	.32	5.7	19	5	5⅝	5⅝	5⅝	
24⅞	16⅛	Repsol	n.27e	1.3		1665	21⅛	21	21	−⅛
5⅜	4⅞	RepGyp	.20	4.5	39	41	4⅝	4½	4⅝	
52⅞	42¼	RepNY	1.32	3.0	11	3 126	45½	44⅞	44½	−1¼
12	1¾	Rexene			9	208	2⅜	2½	2⅜	+¼
33⅞	18⅜	ReyRey	.80	4.0	6	467	20½	20	20	−¼
60⅛	48½	ReyMtl	1.80	3.4	6	3068	54	52⅝	53½	−⅝
46½	34	RhP pfC				3	41⅞	41¼	41¼	+⅛
19	14¾	RhP pfA				812	17	17	17	−⅛
3½	1⅞	RhP wt				2581	2⅛	2⅛	2⅛	
22	16½	RhsPl n				627	19¼	18⅜	19¼	+⅜
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28	18⅞	Wynns	.60	3.1	10	4	19¾	19¾	19¾	
		– X–Y–Z –								
69	49⅞	Xerox	3	5.5	8	1641	55½	54⅝	54⅝	−⅝
41½	21⅞	XTRA	.72	3.2	28	181	22⅞	21½	22⅝	
32¼	19½	XTRA pf	1.94	9.9		49	19¾	19⅝	19⅝	−¼
4¼	2⅛	Zapata				152	2⅝	2½	2½	
12⅛	6⅞	Zemex				5	7⅝	7¼	7¼	−⅛
21⅞	7⅞	ZenithE				478	10¼	9⅞	9⅞	−¼
21½	14	ZenNtl	.84	4.7	9	12	17¾	17¾	17¾	+¼
9¾	5⅛	Zenix	.99	16.		67	6¼	6⅛	6¼	−⅛
18½	13	Zero s	.40	3.0	12	155	13¼	13	13⅛	−⅛
44¼	27½	Zurnin	.76	1.8	19	59	41⅝	41⅛	41⅝	+⅛
12⅝	10½	Zweig	1.21e	10.		529	11⅜	11⅝	11¾	
10	8¾	ZweigTl	.96	10.		671	9⅜	9¼	9¼	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices April 6

[illegible]

NASDAQ NATIONAL MARKET

4pm prices April 6

[illegible]

The Business Column

The virtue of 'values' statements

ANY EUROPEAN company which issues a "vision and values" statement to all its employees and also to the press can expect either polite smiles of disbelief or loud chortles of cynicism.

Brief vision (and "mission") statements are quite common in Europe these days and separate codes of ethics are also becoming popular. But longer expositions of the corporate values which underlie such missions are few and far between. Most Europeans still see them as just another part of the needless hyperbole with which American business surrounds itself.

Yet properly handled, the formulation of a values statement, together with tangible evidence that managers are putting it into practice, can greatly benefit a company's cohesion and morale, its speed of action and external reputation.

The best-known example of the way a values statement can energise a company is that of Johnson & Johnson, the American health and household products group, which suffered in 1982 from criminal poisoning of a small batch of its Tylenol pain-killers.

Customer trust

The speed and openness with which staff reacted at every level of the company, in some cases taking action before being told to do so, was widely attributed to the consultation process surrounding the J&J "Credo": a values statement which its chief executive had spent several years debating with thousands of employees.

One result of the company's impeccable behaviour over Tylenol was that it actually increased its customers' trust. The product's brand leadership was quickly rebuilt in the face of extreme scepticism among marketing experts.

In contrast, Perrier's marketing platform of naturalness and purity seemed insufficiently instilled into its managers' minds for them to move as quickly in this February's benzine contamination disaster. Perrier's change in explanation of the cause of the problem did not help protect its reputation, nor did the impression it gave of less-than-complete openness. It is now being sued in the US.

BP's need to get everyone acting in step – and fast – in the event of a disaster such as February's oil spillage in California was only one of the motives behind its new three-page vision and values statement. It was promulgated as part of the new chairman's attempt to change the company's culture from bureaucratic and risk-averse to open and quick on its feet.

Employee views

The statement was issued after less than two months of debate which involved only top management and a small group of advisers. But the document does reflect many of the views expressed by employees over the past year in an extensive process of questionnaires and interviews about BP's structure and culture.

The statement, in the form of a list of responsibilities to "stakeholders" (employees, customers and suppliers as well as the wider community and shareholders), builds on the staff's strongly-expressed wishes that BP should: stop neglecting their personal interests and development; communicate its strategy more clearly; and be seen to be raising safety and environmental standards.

The statement is a slightly awkward amalgam of BP's existing values (and ethics) with new ones which it hopes will lift corporate behaviour in the near future.

This, and the way the document was circulated so quickly, has provoked some scepticism within BP. But the management's reaction has been far better than at other British companies which, several years ago, rushed into grand declarations of intent, such as "the ICL Way," which at first were purely top-down.

Whether BP's lead will spark a "corporate values" movement in Europe remains to be seen. A flood of statements of empty intent would be fatuous and harmful.

But an outburst of more openness and realism vis-à-vis employees, customers and the wider community could only be to the good of European business.

Christopher Lorenz

MONDAY INTERVIEW

Engineer of change in R&D

David Fishlock speaks to the Government's chief scientific adviser, Sir John Fairclough

A significant upheaval is under way in British research and development. It is evident in the UK Atomic Energy Authority, now known as AEA Technology and looking to pay its way by selling technical advice around the world; in defence, where R&D will soon be run as a quasi-commercial agency; in agricultural R&D and in universities. The man behind these changes sits in an office just a wall away from the Prime Minister's.

Sir John Fairclough, the British Government's chief scientific adviser for the last four years, is an outsider. Previous occupants of the job tended to be viewed by the academic science community as its voice in the Prime Minister's ear. But Sir John is not a fellow of the élite Royal Society, nor does he have an academic background. Rather, he is an engineer, the first of his profession to serve in the post. And it is with an engineer's eye to economics that he has approached the job.

Sir John would not claim to have initiated the reshaping of the Government's approach. When he was recruited in 1986, the broad lines of its approach to science had already been set. But his four years in the Cabinet Office have been marked by a substantial shift of scientific resources. The Government has become much more choosy about what research it will support, leaving more mature projects to find private funding.

Throughout his term in office, the Government has also been relentlessly criticised by many in the science community for failing to fund academic science as generously and as uncritically as they would wish.

Needless to say, the Government has stuck to its guns. It was convinced – not only by Fairclough but also by his predecessor – that it would never get changes unless it withheld funds from "obsolescent" research.

Fairclough's background is in electrical engineering and the computer industry, specifically IBM. The groundwork for his role in Whitehall was laid by Sir Robin Nicholson, a metallurgist also recruited from industry. Rebuilding the job from 1982 after an eight-year lapse during which it had been unfilled, Nicholson enjoyed one of the closest relationships between any Prime Minister and chief scientific adviser.

Fairclough took over in early 1986 on secondment from IBM after being headhunted by Nicholson. An early task, he recalls, was to give evidence before the House of Lords' Select Committee on Science and Technology, investigating the scientists' complaints.

Its critical report on national science policy was published early in 1987 and Sir John began drafting the Government's reply. The resulting White Paper on civil research and development that summer, setting out the Government's new strategy, proposed sweeping changes in the management of government-funded R&D, with the Prime Minister herself in the driving seat via a new Cabinet committee.

For the first time Britain was also to have a single expert committee advising on the whole spectrum of science and technology. Money saved in areas of diminishing national interest would be moved to areas judged to be of higher priority.

"And it's happened," he says. "Although the re-direction took a little longer than I'd have liked."

PERSONAL FILE

1930	Born, Yorkshire
1957	Joined IBM (US)
1964	Director, IBM's Hursley Laboratory
1967	Director, IBM's Raleigh Development Laboratory (US)
1983	Chairman of IBM (UK) Laboratories Ltd and an IMB (UK) director
1983	Hon DSc.
1986	Chief Scientific Adviser
1987	President, British Computer Society
1990	Knighted

As Sir John sees it, Britain's underlying problem is that it has been trying to ignore the "globalising" of technology which has been gathering pace over the last 20 years. He says the aerospace and chemical industries know all about it but British engineering firms generally have failed to catch on.

Once many UK companies become aware of the daunting scale of R&D investment now needed to be world-class – for example, in any significant sector of electronics – they simply buy in technology. He says this is a soft option. "At the end of the day, unless you have something superior in hardware, you really are vulnerable."

The new government R&D strategy aims to encourage companies to get back into innovative technology in several ways. For example, it puts a lot of faith in strategic alliances with overseas firms to share R&D costs. Even a multinational will have difficulties pioneering alone a technology such as a new material, as some have discovered with gallium arsenide, a potential successor to silicon for micro-electronic chips.

Sir John views Eureka – the European R&D programme involving 19 nations and a total commitment exceeding £6bn – as an important factor in forging new European industrial alliances. When he came to office, Eureka was little more than a bold French idea for a European countermeasure to the US Strategic Defence Initiative ("Star Wars") programme, which was promoted as having considerable civil spin-off potential.

Britain, he says, has been very influential in shaping the present Eureka programme, with its light management touch and its potential for producing strategic commercial alliances out of the initial R&D collaborations. "It could have quite an influence in broadening the perspectives of our engineering industries," he adds.

Eureka works because its rules are simple, he says: "You just need a target bigger than a national opportunity."

Sir John also has great faith in Britain's new inter-disciplinary research centres, with a 10-year horizon for trying to exploit some new discovery such as room-temperature super-conduction. Seventeen of these centres have now been announced.

Sir John came to Whitehall with a strongly industry-oriented view that "the boundaries between classical subjects really do get in the way of industrial problem solving." He expressed this bias to Professor Sir David Phillips, the Oxford don who chairs the advisory board for the research councils, the agencies through which academic science gets much of its funds. Prof Phillips said he believed some of the most exciting opportunities for science lay at the boundaries of the classical subjects. Sir John had found a powerful ally for change in a world notoriously resistant to it.

He sees the IRCs as vital agents of change in redirecting the nation's R&D. But he admits mistakes have been made in giving too much publicity to competition between universities to host IRCs and too little attention to the importance of getting the right research director.

He is convinced the Medical Research Council had it right with its long-standing policy of picking a good man and backing him with enough cash to set up his own research unit whenever a new opportunity appeared. "The Medical Research Council looks for both a scientist and a leader," he says. The model for every IRC, he believes, should be its Laboratory of Molecular Biology in Cambridge – "probably the most exciting laboratory I've ever been into."

'We are spending more on science and less on overheads'

The IRCs have elicited mixed reactions from the academic community. Sir John has tried to establish that he does not want all university research done this way – "that's clearly a nonsense" – but he believes universities which are failing to attract an IRC may well be his sternest critics.

As to how many IRCs the Government will fund, he believes the science community itself will discover there are natural limits.

Many academics have never wavered in their view that the Government should simply provide more money without strings (like an IRC) to pursue what is undeniably a highly successful national investment overall in science. But the Government was seeking a closer correspondence between the science base and its economic goals.

Sir John's view was that nothing would change if scientists continued to get enough funds to continue the work they were doing, regardless of any potential utility. He proposed to the Prime Minister that the Government should review departmental investment in sectors such as agriculture and energy.

The Agricultural and Food Research Council has dramatically changed in the last four years. Its new £150m R&D programme has a longer-term and more international flavour, featuring the genetic engineering of crops among other things. Moreover, as one of its executive professors points out, "we are spending more on science and less on overheads."

It is not only academic science that has come under Sir John's scrutiny. UK AEA had more than £400m to spend a year and was concentrating on engineering R&D in support of the nuclear industry and on developing the fast reactor. Sir John instigated another departmental review, and the Energy Department reported in 1988 that the Government was spending more than £100m a year on the fast reactor with no customer in sight for perhaps 20 or 30 years. It decided to axe the mission during the 1990s. This precipitated a reorganisation of the 35-year-old R&D agency, which took effect this month.

Sir John accepts that he is widely blamed for the fast reactor decision. It is the price of trying to be an independent assessor of R&D rather than the sponsor the scientists would prefer. He claims he found fast reactor technology "very persuasive indeed."

He would now like to see an international appraisal of nuclear reactor safety as thorough as the Sizewell B public inquiry. He believes this could conclude that the fast reactor is the safest (even if the most costly) of present-day systems.

What the Government has come to recognise during the 1980s is that a lot of society's present problems are caused by science, which must therefore be encouraged to help find solutions.

The environment is a classic case in point. Sir John cites current worries about possible climatic and atmospheric changes. More powerful mathematical models, involving years of expensive research, are needed before reliable forecasts can be produced. And that will increasingly be the focus of Government-funded and other R&D.

Sir John believes that when he retires from Whitehall later this year his successor will most likely be recruited from the environmental sciences. It would be a fitting sign of the times.

A chance for basic prison review

JUSTINIAN

The siege at Strangeways Prison was entirely predictable, not just because the prison staff had been warned of imminent disruption at last Sunday's chapel service, but because of deep-seated and long-unresolved issues in social philosophy, penal policy and theories of criminal justice that underpin prison administration.

The immediate task for Lord Justice Woolf will be to unravel the complex causes of the human explosion among prisoners frustrated by their custodial condition and alienated from the community outside. The Chief Inspector of Prisons, Judge Stephen Tumim, recently issued a characteristically forthright report on Strangeways which has been struggling to overcome the effects of persistent overcrowding. He pointed to the underlying problems of the prison service, particularly as they impinge on a local prison the inmates of which include long-term prisoners, dangerous offenders, segregated sex-offenders, less serious property offenders, and a constant flow of unconvicted prisoners on remand.

At the same time, Judge Tumim acknowledged the efforts of an outstanding prison governor in coping with these disparate elements within the prison population and in providing new facilities to relieve their boredom. The taunting by some prison officers of the prisoners on the roof of Strangeways indicates there is more than a hint of occupational failing within the ranks of the prison staff.

The Home Secretary is to be congratulated for his immediate setting up a judicial inquiry. Ever since the inquiry in 1932 into the Dartmoor disturbances by Mr Justice du Parcq – which recommended the closure of that 18th-century prison – the prison service has repeatedly consumed its own smoke. Internal inquiries and reviews of riots and major disturbances in a number of penal establishments over the years have avoided the searching public inquiry that commands public attention and reform.

Experience among prison administrators invariably tells of "tension" and "alienation" increasing greatly in the weeks immediately preceding prison disturbances. Lord Justice Woolf would do well, therefore, to look beyond the identification of a particular type of prisoner the prison staff regard as troublesome or as posing management problems. It is the inmate culture and its environment that may provide the clue to prison eruption.

In interpreting his terms of reference, Lord Justice Woolf has a golden opportunity to review all aspects of penal policy. For the last two decades, discussion about the penal system has been more about practical and economic considerations than about the sentencing of adult offenders and penal policy. The operation of the parole system and the adjudicatory procedures for dealing with the most serious offences in prison have, for example, occupied a lot of prison administrators' time.

Although the aims of the prison system have been debated endlessly by penal reform groups outside government, the overriding preoccupation of penal policy within prison administration has been to find ways to reduce a growing prison population. Only in the last year has there been any substantial relief in the numbers of prisoners inside, and most of these have been among the young adult offenders. Otherwise, there has been a relentless trend upwards since the 1950s.

The main means of attempting to reduce the size of the prison population has been an exhortation and cajoling of the judiciary by the Home Office to award fewer and shorter sentences of imprisonment for all offenders, except those committing the very serious offence and for the small number of dangerous offenders. The judicial response has been puny. The prison service will be able to cope only if and when the prisons can be half-emptied.

Whatever the aim of sentencers – and they need to be curbed in their adherence to traditional tariff sentencing – it is an axiom of modern penal policy that offenders are sent to prison as punishment, and not for punishment. Inhuman or degrading treatment within prison has no part to play in the regimes and patterns of prison life. Yet the conditions in which prisoners have to live and work fall well below the European Standard Minimum Rules for the Treatment of Prisoners.

Slopping-out is the chief, but not the sole, intolerable feature of prison existence. The absence of human choice in daily life, the lack of human tenderness in a rough community divorced from family life and the forced companionship of fellow prisoners all add up to an unhealthy mixture of miscreants and misfits in a closed institution.

The demonstrated failure to rehabilitate and reform prisoners has not been replaced by a wholly adequate substitute. The prison service itself has adopted an alternative model of humane containment, but that has not been sufficiently positive to command general acceptance, or even to ensure practical application.

The life of a prison should be as close as possible to normal life outside, subject to the demands of security, which are now given far too much emphasis. The orderly running of these establishments will be constantly undermined so long as there is overcrowding.

SECTION III

FINANCIAL TIMES SURVEY

To revitalise the region and remain in competition with Tokyo as a beacon for talent and centre for finance, Kansai has embarked on more than 500 "big projects." **Robert Thomson** looks at the effect these are likely to have in boosting morale and the local economy

KANSAI

A fanfare of 'big projects'

A panoramic view of Osaka

Glyn Genin

CONTENTS

Editorial production Gabriel Bowman

AT A recent press conference in Osaka, Mr Osamu Uno, chairman of the Kansai Economic Federation, spoke of the region's responsibility for "vitalising the world economy" and cautioned that "Tokyo does not represent the whole of Japan." On finishing the speech, Mr Uno smiled and apologised for having to leave the gathering early because of "an appointment in Tokyo."

Tokyo's role as a centre of international finance and as a beacon for talent throughout Japan has provoked a rise in Kansai consciousness. The growing international stature of the capital city highlighted Kansai's stagnation, and prompted region-proud companies and governments to devise ways to push the local economy out of Tokyo's shadow.

Kansai's attempts to collect its thoughts have been made difficult by the diversity of the six prefectures that comprise the region. For a start, some officials say that there are seven prefectures, and include Fukui in the family, and others suggest that there are even eight. But a majority agrees that Osaka, Hyogo, Kyoto, Shiga, Nara and Wakayama make up the Kansai.

The strong characters of three most prominent cities, Osaka, Kyoto and Kobe, tend to make compromises hard-won. Osaka is the most prone to compare itself to Tokyo and has an enduring self-image as the country's economic centre. Until recently, Kyoto has been content to trade on its status as a city of relics, with tourism as virtually the only growth industry. Kobe likes to think of itself as a city apart, separated by colourful history and cosmopolitan character from Osaka, although there is only 30 minutes by train between them.

Together, the prefectures and cities and their 20m people are a formidable region. The Kansai has a gross regional product about the same as that of Canada's GNP, while the textile industry produces 32.7 per cent of the Japan's output, the steel industry 25.9 per cent, and machine tool industry 23.1 per cent.

The region has produced an impressive cast of companies with strong international images. Matsushita, Sanyo and Sharp, the electronics groups, are old Kansai companies, as is Sumitomo, one of the most powerful *keiretsu*, the corporate groupings identified by Washington as a "structural impediment" to trade with Japan.

Young and ambitious companies have emerged from a corporate culture renowned for its canniness and innovation in manufacturing but which also has a tendency to do commercial things in the time-honoured way. Osaka officials are attempting to convince small business managers to end the tradition of physically collecting debts two or three times a month – the hope is that an increase in paper shuffling will lead to a decrease in traffic congestion.

Kyocera, formerly known as Kyoto Ceramic, has become the world's largest producer of ceramic packages for integrated circuits. And a collection of the country's leading apparel companies has settled together in Fashion Town, on a man-made island off Kobe.

But these flashes of initiative did not change the broader perception that the region was in need of revitalisation, and so, showing a central planner's love of awesome and expensive steel works or dams, the region has devised the "big projects" – the English words have passed into the Japanese language.

About 566 projects are under planning in the Kansai area, with 358 of them having a total budget of Y22,000bn. Many of these projects are small, but the "big projects" are genuinely big. Kansai International Airport, intended to be Japan's first 24-hour international airport, is to cost Y1,000bn (£410m) in its first phase, while related projects are said to be worth Y2,850bn.

Then there is the Kansai Science City, 15,000 hectares of interdisciplinary potential that could, according to Mr Uno, "solve the world's and humanity's most pressing problems." The first problem solved was where to put the facility, as each of the prefectures wanted at least a fair share. A tract of land straddling the prefectures of Osaka, Kyoto and Nara was chosen.

Hyogo prefecture has backed the building of the world's longest suspension bridge, the Akashi Kaikyo Bridge, as part of a link between Honshu and Shikoku Islands. And the ambitious $2.75bn International Garden and Greenery Exposition (Expo '90) has just opened in Osaka, although organisers are worried that a spate of exhibitions in Japan in the past few years has dulled the lustre of the event.

Mr Kenichi Ohmae, chairman of McKinsey and Co Japan, moved office from Tokyo to Osaka because of his faith in Kansai, but he has doubts about the long-term worth of the "big projects." The question, he says, is where will Kansai be when all of these projects are completed?

"If you look at the figures, this is going to be one of the world's most intense centres of activity. Companies are sponsoring these projects, which means there is tremendous confidence in the Kansai. Some people will certainly get rich. There will be employment, and the outlook is generally for a prosperous 1990s," he says.

"The other side of the coin is that people's lifestyles will not change. There is no grand design to all these projects, and there is a lot of competition among the prefectures. The projects are very ego-oriented. They use Tokyo as the model for everything. If Tokyo has a fashionable department store, Osaka wants the same."

Kansai officials are very conscious of these criticisms. They are aware that the the ideal would be for the region to develop its potential as a gateway to East Asia and the western Pacific, but the urge to turn the head eastwards for a look at Tokyo's progress is irrepressible. And, uneven as the contest is, an ambition lingers to top Tokyo, and to regain recognition as the pre-eminent economic centre.

Mr Hironari Masago, president of the Osaka Chamber of Commerce and Industry, likes to divide the many and varied projects into "hard" and "soft" events, with the soft being of the conference kind and the hard leaving a tangible trace behind, such as work on transport infrastructure for the greenery exposition.

Kansai officials had been waiting for Tokyo's much touted decentralisation to take place, and a few years ago, cities in the region thought that they could be chosen to be a new capital, if, indeed, the title was taken from Tokyo. Those thoughts have long gone, and the talk now is of a Kansai federation with far greater control over its own destiny.

That desire has been heightened by problems that local governments have had in winning approval for their projects and in obtaining funds. For instance, governments are annoyed that central ministries and Tokyo-based politicians are not more forthcoming with money for the second phase of the Kansai airport.

Mr Masago says that "Kansai is like the European Community" because "places like Kyoto and Nara still maintain their characteristics, and, like the EC, we would like to make the most of this mix of characteristics." He says the common interest of the regions at present is transportation, and that success in sharing ideas and resources on this issue can lead to closer ties on most matters.

Like the EC, diversity brings with it differences of opinion in Kansai, and, on the matter of airports, Kobe would like an international facility. The city realises that if Kansai international airport receives extra government money, then the Kobe plans will be grounded.

While the "hard" sell of some projects remains even though it may not provide value for money, a sense of optimism and ideas, some of them useful, are being generated in Kansai. The optimism was missing a decade ago, when the region was in a self-conscious slump, and governments were slow to respond to Japan's new role and responsibilities.

The Japanese economy is again undergoing change. The yen is surprisingly weak and the stock market unstable. A national labour shortage will weaken Kansai companies unless the region provides enough to hold the interest of young people. Dramatic land price increases continue to bring rewards to the landed, but make buying property all the more difficult for expanding companies and for the young couple contemplating a home.

After the fanfare of the "big projects" fades, the six prefectures will have numerous opportunities to prove on the most basic level that Kansai is more than the sum of its parts.

Robert Thomson examines the region's political system

Co-operation with rivals

WITH A broad smile, Mr Masaya Makiuchi, secretary of the Japan Socialist Party in Osaka, explains that when he and Ms Takako Doi, the party's national leader, have a few drinks together, she has a habit of criticising his branch for its collaboration with the ruling Liberal Democratic Party.

"She criticises us like a big sister scolding her brother. She thinks that we should be more aggressive in opposing the LDP, but she understands that in Osaka we are different and that we will support joint candidates. We think this system is good for Osaka," Mr Makiuchi says.

Local politics is different in Japan. In Osaka prefecture and city, the JSP and LDP, bitter rivals in the national parliament, jointly support candidates, and are members of policy-making committees with representatives from virtually all parties, the Communist Party excepted.

Ms Doi's political base is in the Kansai, in the neighbouring province of Hyogo. According to Mr Makiuchi, she owes the Osaka branch a few favours for support given more than 20 years ago when her smaller branch could offer only limited assistance in her first election campaign.

Local politicians in Osaka are proud of their record of co-operation, and are content to leave the fighting on philosophy to national politicians. They concentrate on more immediate local issues.

Local politicians in Osaka are proud of their record of co-operation

"Kansai people are not so interested in politics. They are more interested in economics and don't want to worry about politics. The LDP has been much weaker in Osaka than in other big cities, and there has been an even share of representatives," Mr Makiuchi says.

But the need to do business with Tokyo remains strong, particularly in the quest for central funding of ambitious local projects. Local politicians rely on the hometown pride of national figures representing the region to push through legislation and money to lay the foundations for the Kansai International Airport and other big-ticket items.

Mayasa Makiuchi: secretary, Japan Socialist Party in Osaka

Mr Shoni Nagamori, secretary-general of the LDP's Osaka branch, says that support is often sought from national politicians with a base in the region and, more specifically, those with senior positions in the LDP's factions. Ministerial titles provide an appearance of power, but factional heads carry more weight in the party room.

The local branch also lobbies the various "tribes" of politicians, the cross-factional groupings which focus on policies in a particular sector. There is an "agriculture tribe," a "culture tribe," and a "transport tribe," all of which have influence in their chosen fields.

"We try to influence the transport tribe on the new airport. These people have a great impact in the party. In the parliament, a vote on an issue by LDP members will be unanimous, so it is important to influence decisions a long time before the vote," Mr Nagamori explains.

Support from the majority of politicians in a "tribe" is not certain to lead to a policy decision in a prefecture's favour. Mr Nagamori says, "the influence of the bureaucrats at the Transport Ministry is great," and while they can be convinced to change policies, they can be difficult to persuade.

Co-operation among otherwise antagonistic parties in Osaka is closer than in most areas. As members of a coalition, they select and support the Osaka city mayor and the Osaka prefectural governor, and generally attempt to resolve differences in the backroom.

Kansai people are more interested in economics and don't worry about politics

Policies are decided by an inter-party committee comprised of about 10 per cent of prefectural congress and city council members chosen from the coalition parties. Mr Makiuchi says that about 50 per cent of policies are devised by government officials, while the rest originate from the party committee.

In local elections, the LDP secures about 30 per cent of the vote, the JSP slightly over 25 per cent, and Komeito (the Clean Government Party) just under 25 per cent. Komeito was founded in the Osaka area, and has maintained a strong, though now declining, following.

Komeito has strong connections with a Buddhist group and has successfully drawn support from small business people and lower income earners, Mr Makiuchi says. It has maintained popularity by choosing its national leaders from among Kansai representatives.

The LDP, JSP and Komeito assess the character of prospective mayors and governors at a series of selection meetings, and the final choice must be acceptable to all.

"We carry out this examination for many months. People from parties, local government officials and business people are nominated. It is a very Japanese style of making a decision," Mr Makiuchi says.

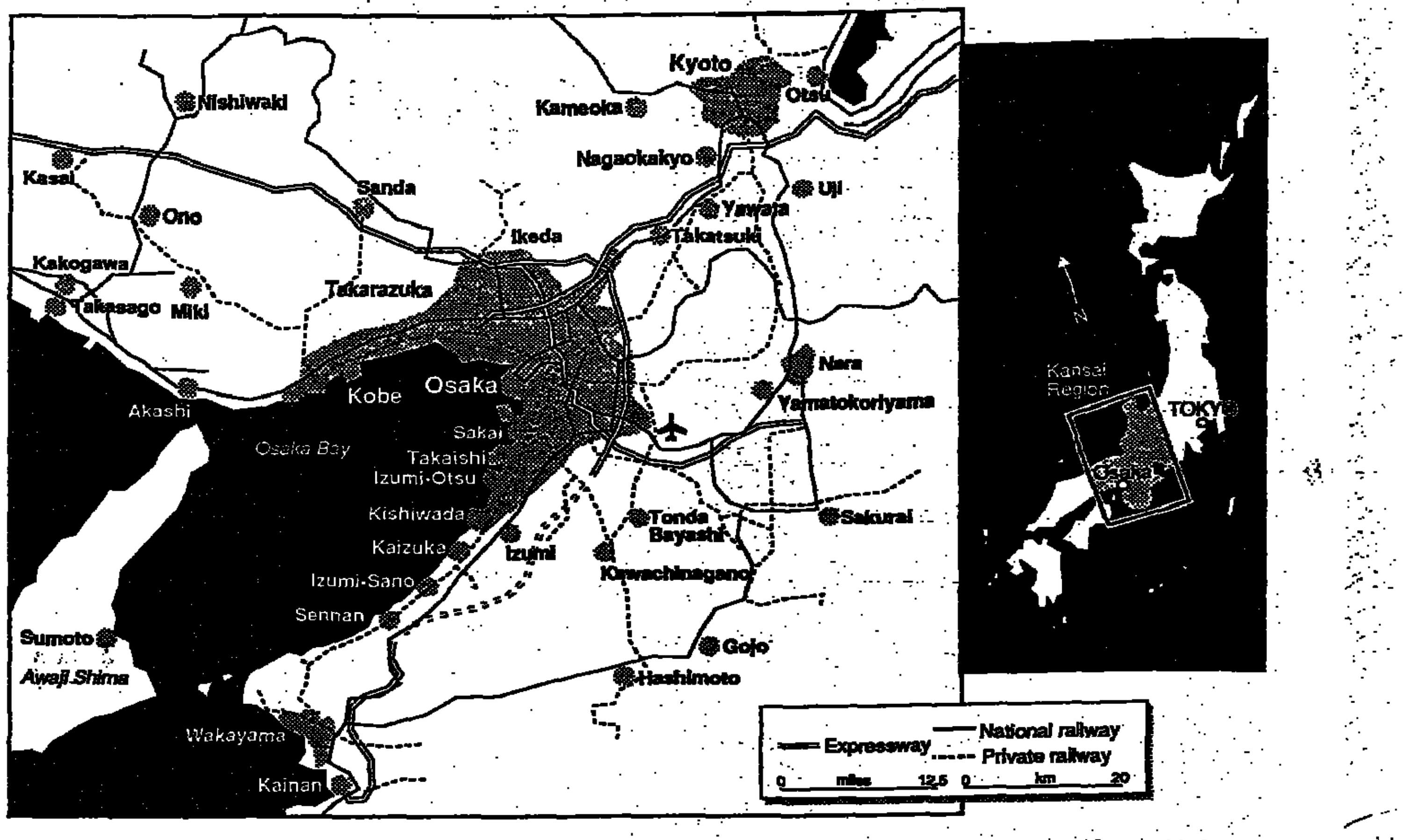
At the national election in February, the LDP lost votes around the country, but in Osaka its number of seats increased from six to nine. Mr Nagamori says that the campaign strategy of suggesting that the election was a choice between "freedom and socialism" was reinforced by the collapse of communist governments in Eastern Europe.

He also believes that Osaka people have become concerned about the increasing economic strength of Tokyo and "wanted to put more LDP representatives in parliament" to present Osaka's case more forcefully.

At a national level, the LDP has been under pressure on issues such as the introduction of a value-added tax, corruption, political reform and relaxation of controls on agricultural imports. In Osaka, all of the major parties agree on the big project policy as a means of stimulating development and want to increase Kansai's autonomy.

Those matters aside, Mr Nagamori, at the LDP, says the most important local issue is the business climate. "Interest rates are going up. There is a labour shortage. People are very worried about the Structural Impediment Initiative (SII) talks with the US."

And, at the JSP, Mr Makiuchi is most troubled by the development of culture in Osaka. "About 80 per cent of newspapers and 70 per cent of the television programming are based in Tokyo. Osaka has a big population but it is not the centre of culture, and that is our biggest concern."



Local companies have a good record. **Della Bradshaw** reports

A tradition of innovation

THERE IS a Japanese proverb which says: "If you try and catch two rabbits at the same time you will not catch either."

However, Mr Taizo Katsura, senior executive vice president of the Sharp Corporation, says it is by chasing both rabbits that Kansai companies, such as Sharp, have been proven so successful.

One eye, he continues, should be kept on the rabbit running just ahead, and the other on the rabbit running three years in the future.

That, he declares, is the long-term view which makes Japanese companies so different from Western ones, particularly those in the US. There, says Mr Katsura, shareholders are too busy watching their returns and profits.

Sharp is just one of a number of internationally famous manufacturers that claim the Kansai region as home. Sumitomo and rival consumer electronics manufacturers Matsushita and Sanyo also have their roots in Kansai.

Indeed, it is very much a family affair: the founder of Sanyo was the brother-in-law of the founder of Matsushita.

Shareholders in the West are too busy watching their returns and profits

Earlier this century Tokyo became the political capital of Japan, and many state-run companies and enterprises who counted government departments as their main customers – power station manufacturers, for example – grew up there.

Kansai became the entrepreneurial centre of Japan as it was unfettered by governmental edicts and demands. It was the home of Japan's first chain store, Takashimaya, for example, and developments as diverse as the first desktop electronic calculator and the first automatic railway ticket barrier were developed in Kansai.

In spite of the downturn in the 1970s, that entrepreneurial spirit is a force which continues, says Mr Tadao Kagono, professor of business administration at Kobe University. "Osaka entrepreneurs have time to think. In Tokyo you have to run because everybody else is running."

He points to the US for a parallel. "You cannot find any innovation in New York. If you want innovation you go to Massachusetts or Silicon Valley."

This innovative tradition applies to these companies' management techniques as well as it does to their technology.

They are famous for inventing what is commonly referred to as the Japanese management style: life-time employment, the slow progress of new entrants up the company ladder and a single union embracing every employee from the humblest manual worker to the most senior manager.

Whereas the Japanese management style is now finding greater credence overseas, back home in Kansai there are increasing pressures to adopt more Western techniques.

The pressure on the yen in the mid-1980s, combined with a growing shortage of qualified employees, has seen the Kansai companies reassess their style.

In particular, companies are finding it increasingly difficult to persuade talented graduates, particularly engineers, to start at the bottom of the employment and salary ladder when US or European companies will pay a premium for their talents.

As a result, poaching white-collar staff from rival companies is also growing.

Companies are being forced to imitate their Western counterparts in other areas in order to retain staff. Sumitomo Electric, for example, has introduced an "elder staff" policy so that those who would normally have retired at 60 are encouraged to stay on until they are 65.

When the going gets tough, the companies fall back on their traditional business styles, reports Mr Katsura. In the 1980s, with companies under increasing pressure to cut the cost of their exports, Sharp introduced a policy called ELM, intended to cut energy, labour and material costs by 30 per cent, while maintaining quality.

A central feature of the policy was an invitation to all employees to contribute ideas on how to cut energy and material costs. If that could be achieved, then staff lay-offs could be avoided.

The scheme proved successful, with over 30,000 suggestions coming from the workforce. In some areas materials and energy were cut by more than 30 per cent. The number of screws used in Sharp television sets, for example, was reduced by half.

In spite of the recent interest rate increases in Japan, and the consequent fall in the value of the yen, Mr Katsura predicts the Japanese currency could become even stronger than it was in the mid-1980s. He says managers may need to introduce even tighter cost and quality controls.

While the 1970s and 1980s saw many of the organisations which grew up in the Kansai area – banks in particular – move their main operations, if not their official headquarters, to the Tokyo area, consumer electronics companies such as Matsushita and Sharp continued to support their home base.

However, many, such as Sumitomo Electric, acknowledge that their main sales and marketing offices were shifted to Tokyo so as to give the company access to more up-to-date market information.

Others – including Matsushita, which sells products under the National, Panasonic and Technics brand names – still maintain their roots in Kansai. Matsushita manufactures most of the 9.7m television sets it supplies to the Japanese market in Osaka and Kyoto, and has its research and development laboratories there.

However, Mr Naomi Haga, a company spokesman, says now that Matsushita is manufacturing and trading on a global basis it is irrelevant where the company is sited – in Osaka, in Tokyo or on another planet.

For that reason, many large companies – Sanyo, for example – that are keen to promote their international image, try to play down their Kansai roots.

The concentration of such large manufacturing companies in the Osaka region has spawned a second engine for growth in the another type of company, that of the international parts supplier. On the back of their biggest customers, particularly the consumer electronics companies, several smaller companies have grown up.

"Small companies in the area are also very innovative. They start as suppliers to Matsushita, for example, and acquire skills that enable them to become global parts suppliers," says Prof Kagono.

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PROFILE: Kyoto

Timing it carefully at Japan's leading tourist destination

AS THE rain poured down outside, the lady at the Kyoto tourist centre said: "You've come at the right time." She meant it. February 3, it turned out, was the right day of spring in the Japanese religious calendar, and an occasion for demon-chasing ceremonies at various of Kyoto's many temples.

The other advantage of coming to Japan's number one tourist spot in early spring was that it was possible to take photos without getting at least 94 people in the frame.

Kyoto's physically most glorious season is October-November when the leaves turn brilliant reds and yellows, an aesthetic fact of which all too many Japanese are aware. This is peak visiting time – 38.7m Japanese travelled to their old imperial capital in 1988, slightly more than 100 times the number of foreign visitors.

Luckily, the city can take it, with some 400 Shinto shrines and more than 1,000 Buddhist temples.

Using the crude yardstick of popularity as my guide, I went first (early in the morning) to the most visited, the Kiyomizu temple, with a wonderful view and adjacent Shinto shrines coping with special requests – success at school exams, health, safety in traffic, and of course the ideal spouse.

Number two in the Kyoto popularity league is the Kinkakuji or Golden Temple. And understandably so. Three-quarters surrounded by a little lake, it is largely covered in gold leaf, which looks quite new. It is. The original building was, after 550 years, burnt to the ground by a young man in 1950 who gave as his excuse that the temple was too beautiful to exist, and who was later the subject of a book by Yukio Mishima, the Japanese nationalist-romantic. In fact, a little research into pre-1950 photos at the Kyoto city museum made me think that the replica was even better than the original.

Turning from the religious to the menacingly secular, the Nijo Castle is worth a visit to get an idea of how feudal Japan was really ruled by military dictators under the fig-leaf of imperial rule. Part of the reason why the Tokugawa Shoguns who seized power in 1600 kept it until the mid-19th century was clearly their paranoia. They built Nijo as their Kyoto base.

The original Golden Temple was razed by a young man who gave as his excuse that it was too beautiful to exist

Cross the drawbridged moat, and you would have been frisked and disarmed at the gatehouse. Trespass along the corridors inside the main building and the floors, ingenuously designed to squeak like a nightingale, would have given you away. Make a false move as you bow and scrape to the Shogun, and watching bodyguards would have burst out of surrounding closets. All in all, paying a call on Stalin must have been less hard on the nerves.

These days visiting the Kyoto Imperial Palace and the Katsura and Shugakuin Imperial Villas is much more of a problem. To visit the villas everyone has to book three months in advance – the Imperial Household wants to check you out and avoid any repeat of the Golden Temple arson. The same delay faces any Japanese wanting to visit the Imperial Palace, but here foreigners are in luck. They need only bring their passports 20 minutes before opening time.

To the uninitiated like myself, some Japanese performing arts can be long and incomprehensible, like for instance 45 minutes spent outside in a February evening watching a medieval pantomime that vaguely resembled Red Riding Hood.

But for the lazy visitor who wants a catch-all taste of Japanese culture, I can highly recommend an evening visit to the Gion Corner theatre hall. In an hour you can see tea being ceremoniously poured, Koto music played, flowers arranged, and watch a Gaguku court dance, a Kyogen comic play, a Kyomai dance and a Bunruku puppet play. All this, and you can get your photo taken during the intermission with two geisha girls, for Yen 2,100.

David Buchan

In spite of claims that the region's economy is being revitalised, there are problems, reports **Robert Thomson**

The heads that turn constantly towards Tokyo

TRADERS ON the floor of the Osaka Securities Exchange like to point to the skylight-style ceiling above them as a symbol of the almost infinite potential *for stock* prices to rise – the sky is the meant to be the limit.

A less lofty reality of market instability tied to the Tokyo slump has lowered ambitions on the OSE floor, and begun to stir doubts in otherwise optimistic Osakan minds about the longer-term health of the economy, which had also been presumed to be immune from downturn.

Kansai has done better than most areas in retail sales, up 9.9 per cent in the last half of 1989 compared to Tokyo's 6.5 per cent increase, and projected capital spending this year, which is expected to rise 7 per cent, while the national average is 2.7 per cent.

The upturn has been partly prompted by the region's land price leap in the past two years – residential prices in Osaka rose 56.1 per cent last year, and commercial land prices were up 46.3 per cent. The surge has bridged some of the gap between local and Tokyo prices and lifted companies' asset values, but presented problems for companies with limited land holdings and ambitions to buy property for production facilities or new retail outlets.

Despite the favourable figures, heads in Kansai are constantly turned east towards Tokyo, and local governments have become concerned at the drift of large companies to the capital and the region's continuing image as an aged industrial centre. A perceived need to develop quickly has inspired the rush of "big projects," which are intended

Kunio Izutsu, the president of the Asia and Pacific Trade Centre, Osaka

to strengthen the entire region, but do not directly address the small companies at the centre of the Kansai economy.

Small and medium enterprises are responsible for about 58.3 per cent of production in Kansai, compared with 52 per cent nationally, while 73.9 per cent of employees work in those enterprises, compared with 72.2 per cent nationally. Many of the smaller companies are family-run, and more conservative in borrowing habits than Tokyo firms, which are considered profligate by their Kansai cousins.

Only 3.7 per cent of Kansai employees work in primary industry – the national average is 9.3 per cent – while 36 per cent are employed in secondary industry and 60.3 per cent in the service sector. As a whole, gross regional product comprises about 20 per cent of gross national product, while exports make up 21.7 per cent of the total and imports 22.3 per cent, according to the Kankeiren, the regional economic federation.

Kankeiren is betting on the big projects as a means of stimulating the economy, and Mr Kazuaki Harada, managing director of the Sanwa Bank and head of the bank's research institute, appears to be convinced: "I think that the Kansai economy is being revitalised."

He contends that a popular saying, "higher in the east, lower in the west," has been turned around since 1988, and "the economic indicators show *that* Kansai has strong demand." However, he admits that apart from the big projects, land prices have been a stimulant, and that the impact on the economic base of higher interest rates and currency instability remains to be seen.

The natural advantages of Kansai, Mr Harada says, are its proximity to the newly-industrialised countries of Asia, and the strong economic base. Problems include the absence of "information momentum" comparable with that of Tokyo, and a resulting inability to "generate information."

He is also concerned that the labour shortage afflicting the country will be particularly detrimental in Kansai: "The statistics don't tell you that it is too bad, but the facts tell you that the situation could get worse."

Those concerns are not getting in the way of the spate of projects that are not officially "big" but are nevertheless significant. Matsushita, the electronics group and a Kansai company, has developed a commercial area away from the city centre of Osaka, including two office towers and an imports emporium.

A public and private consortium is building the Asia and Pacific Trade Centre in the port district of Osaka, and intends it to be the largest "showcase of foreign products" in the world. The creators compare its role to that of the traditional Japanese arranged marriage: "In Japanese culture, the arranged marriage has served an important role in society, allowing potential partners, who would otherwise never know of each other's existence, the chance to meet."

Traded products will be of the daily life variety, including clothing, furniture, food, and jewellery. Mr Kunio Izutsu, the centre's president, and the former senior managing director of Osaka Gas, expects that the centre will also take advantage of expected economic development in Soviet Asia and China.

The centre's more prosaic problem at the moment is finding tenants, foreign and domestic, for the buildings, which *will have a total area of 350,000* sq metres, including 180,000 sq metres of trading space, when completed in 1993. Mr Izutsu says that government organisations have about a 40 per cent share in the Y180bn project, but that private companies hold the majority stake.

Osaka Securities Exchange, once suffering from a "second market syndrome" in the shadow of the Tokyo exchange, has been devising ways to develop an identity of its own. It has introduced index options and index futures trading, plans to launch convertible bond futures, and has a new second section to attract smaller, local companies.

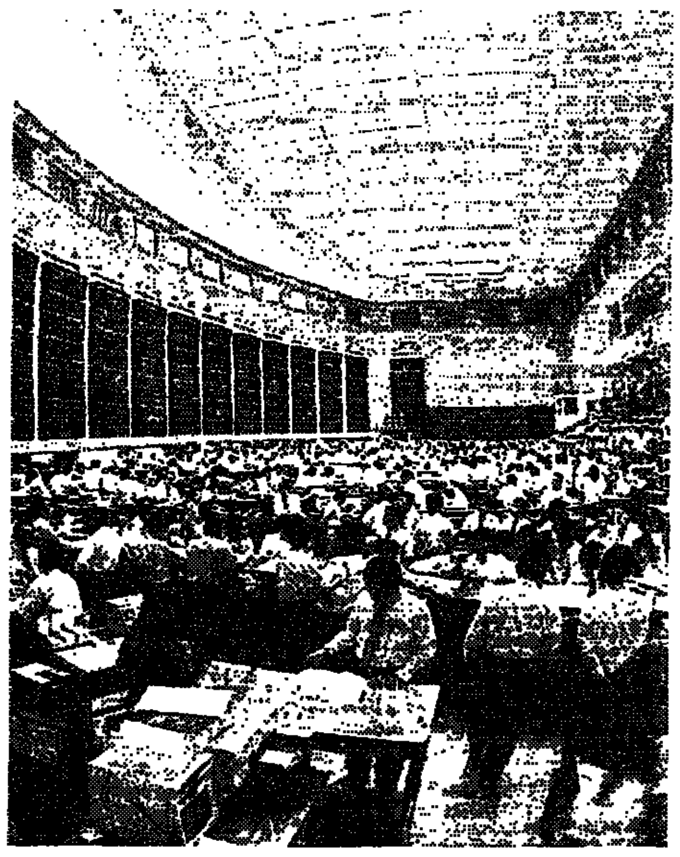
The new section now has 26 issues, while other previously listed issues have graduated to the standard second section, which has tougher auditing standards and requires a longer period of incorporation. Aspiring companies must be based in the Kansai area.

Mr Minoru Nakamura, director of the exchange's research department, says that the number of applications for listing on the new section has grown with the strength of the Kansai economy: "We understand that many companies are preparing documents for listing. These companies are often smaller firms which have a unique product line and are expanding their businesses."

Osaka dominates the Kansai economy, accounting for about 51 per cent of gross regional product, 45 per cent of manufactured goods, 47 per cent of gross annual retail sales, 71.5 per cent of outstanding bank loans and 69 per cent of companies listed on the stock exchange.

But the Osakan economy has been hampered by a clogged road network likely to be further congested by the grand projects. The city's mayor, in an attempt to convince residents *to leave cars at home*, has said that he will take a train to work on April 20.

City officials are also encouraging managers of small businesses to end a tradition of physically collecting debts two or three times a month, and to use more modern financial devices to settle accounts. There is resistance to the demand, as business people have used the personal contact to swap information informally and cultivate clients, and they cherish the system's folksiness.

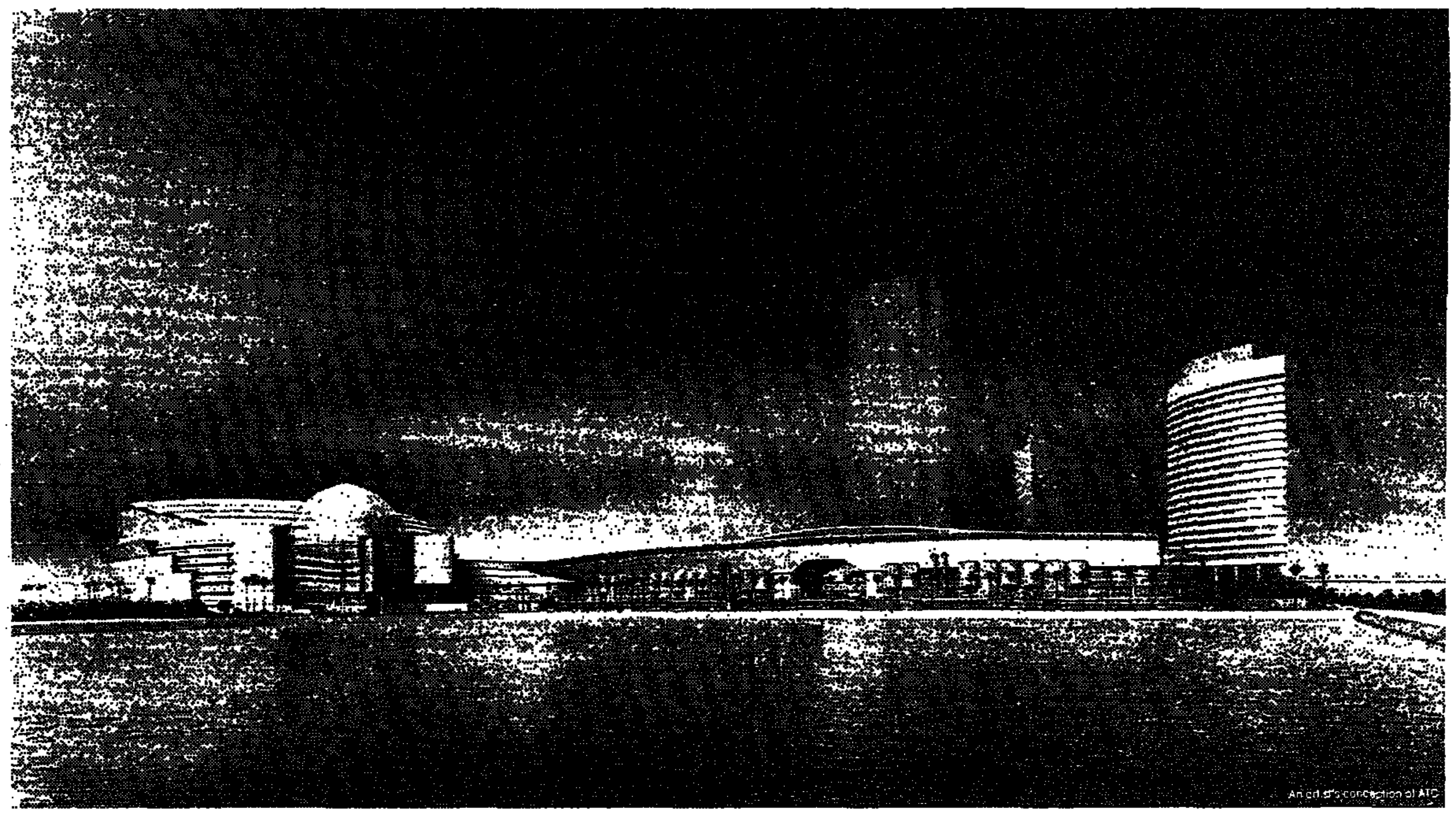


The Osaka Securities Exchange trading floor Ashley Ashwood

KEY FACTS

Kansai is six prefectures: Osaka, Hyogo, Kyoto, Shiga, Nara, Wakayama – Fukui prefecture is sometimes included, but is generally considered part of the Hokuriku region.

Total area	27,296 sq km (7.2 per cent of total)
Population	20m (18.2 per cent of total)
Employment	primary industry 3.7 per cent
	secondary industry 36 per cent
	tertiary industry 60.3 per cent
Region's share of Japan's GNP	20 per cent
Share of national exports	21.7 per cent
Share of national imports	22.3 per cent
Share of national retail trade turnover	16.1 per cent
Share of national wholesale trade turnover	20 per cent
Share of bank loans	19.4 per cent



THE ECONOMY

Doubts over spending spree

THERE ARE two expressions on the lips of Kansai's business community these days – *kaseika* – revitalisation – and "*big projects*".

Many people hope that these "big projects" will prove the moving force behind the economic rebirth of the Kansai area, helping to reposition Osaka and its hinterland as the commercial heartland of Japan.

Big the projects certainly are, both in size and in volume. Almost 400 of the 623 main projects planned have already been budgeted for and will cost Y25,000bn (£104bn). That figure could almost double once all the projects are completed in the early 21st century.

Funds for the projects, covering road and rail infrastructure, housing, a teleport, the Kansai international airport and a new science city, to name but a few, come from a mixture of local and national government coffers, as well as industry and commerce.

Proponents of the massive infrastructure scheme, such as Mr Hiroyuki Gohda, general manager in the planning department of Sangyo Kaseika (the Centre for Industrial Renovation of Kansai), argue that the spending spree has a knock-on effect in bringing money into the area.

Others are more sceptical. Mr Takayuki Sasaki, director of the management administration department at JR West, the railway company, believes throwing money at the problem is not necessarily the answer.

He argues that the big problem is to co-ordinate the projects, rather than just allowing individual schemes to develop unguided.

Opinion is divided as to whether the projects have already stemmed the rot of the 1970s and 1980s, when Kansai companies moved their operations *en masse* to Tokyo. Mr Sasaki is dubious. But Mr Tadao Kagono, Kobe University's professor of business administration, is confident the master plan is working.

He cites the growing number of international companies, as well as native Kansai ones, that have set up offices in the Osaka region – Ciba-Geigy, Proctor & Gamble and Nestlé, for example – as proof of the pudding. And Mr Gohda points out that the region is enjoying *real growth of* about 5.5 per cent a year.

The most critical of the projects in attracting overseas investment will be the airport, built on reclaimed land in Osaka bay, and Japan's first airport to be open 24 hours a day. Combined with that is Rinku Town, a new business and leisure complex to be built onshore, opposite the airport.

But the most expensive plan is not for the airport but for Science City, an ambitious project to enable the Japanese to catch up with what it sees as its lagging position in basic science research.

The plan is to build a city in the hills above Osaka, spanning three of Kansai's prefectures – Osaka, Kyoto and Nara.

The civil engineering work alone – the roads and railway infrastructure and buildings – will cost Y4,000bn, and there *will be additional expense to* equip the scientific research centres.

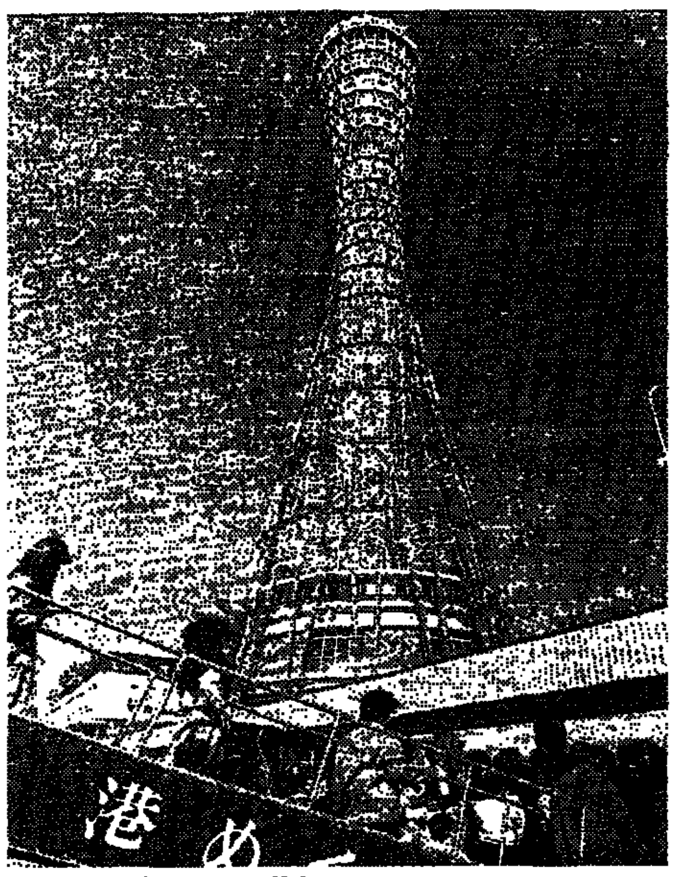
When complete, Science City will be based around university and commercial research centres, but will also have all the other attributes of a city – housing and cultural facilities. *The plan is to have 380,000 people* living permanently in the city by 2010.

Some research institutes are already in operation, such as the Y20bn Advanced Telecommunications Research Institute, in which telephone company NTT has a majority stake.

Others, such as the Ion Engineering Research Institute, have begun operations in temporary accommodation, while the permanent site is under construction.

The institute, first proposed by the Ministry of International Trade and Industry, is being supported financially by 65 of Japan's blue chip companies, such as Matsushita Electric, Hitachi, Toshiba, Nippon Steel and Kansai Electric Power.

Future schemes include the setting up of a research institute to help solve the problems of the global environment and



The observation tower in Kobe

an advanced institute of science and technology. The organisers hope many Japanese and international companies will also set up their research institutions in the area, and are already in talks with several, including a West German pharmaceuticals man*ufacturer*.

But perhaps the scheme which is arousing most interest in Kansai these days is not the permanent monoliths to science or transportation but Expo '90, the six-month long International Garden and Greenery Exhibition, which runs from this month.

The long-term aim of the project is to ensure that Osaka – often called the Manchester of Japan because of its industrial heritage and even by Japanese standards particularly lacking in parks and greenery – would have some permanent park or leisure space.

Organisers of the Y400bn event are expecting 20m visitors to the international garden exposition, the first to be held since Liverpool in 1984. Ten thousand workmen have been beavering away to ensure the site is ready for the opening, building pavilions, laying tarmac on roads, and planting *the trees and shrubs necessary* to make it a green event.

To the European eye greenery is not the image that springs to mind. Standing 64 metres up in the Statue of Life Tower in the centre of the park, the scene is one of motorways ringing the Expo site and *surburbia stretching away as* far as the eye can see.

The 32 pavilions built there include Mitsubishi's huge metal tulip and another built by Osaka Gas which is a stylised version of a green mountain range.

Only inside the massive conservatory, *which has rooms* heated to different temperatures to promote the growth of varied plant types, is there a real sense of greenery.

Locals, too, are divided between the enthusiastic and the sceptical. Some believe the park, built on a landfill site, could be subject to methane gas seepage. Others are resigned to the present lack of greenery.

"You should come back after the rainy season in June," jokes one local resident. "After that there'll be a lot more greenery around."

Della Bradshaw

Robert Thomson strolls round an international marketplace, planned as an import showcase, near Osaka

From golf tees to popcorn

ON OPENING day, the British-made beechwood golf tees, their tin decorated with St Andrews insignia, sold out quickly, and the queue for popcorn popped the genuine American way was four deep at the Popcorn Palace.

The christening of the International Marketplace last month on the outskirts of Osaka was one of the more glittering by-products of trade friction. Built and backed by the Matsushita group, the electronic products company, the Imp, as it is known, is intended to be an import showcase, and to be evidence that Matsushita is doing its bit to open Japan's markets.

An import theme runs deep. Public toilets in the 60-store complex have been based on famous lavatories in Sweden, Spain, the US and West Germany, and come complete with imported porcelain. A floor of stores with mostly European goods is called the Euromarket, and the American Market has the popcorn and Western gear, and an art jewellery store going by the name of Neo Philia.

Matsushita had the idea just over three years ago, when trade friction was warming up, and the company had few problems in overcoming Japan's Large-Scale Retail Store Law, condemned by Washington as a "structural impediment" to trade.

Washington's complaint is that the law can restrict the opening of large complexes for 10 years or more, but the Matsushita project eased by with the backing of the Ministry of International Trade and Industry (Miti), Labour Ministry and the Osaka Government.

The investment was made by Matsushita Investment and Development (MID), which commissioned and paid for the design work for foreign-owned

Large Japanese export-oriented companies are under pressure from the US

stores, and hoped that most would *have real foreigners on* staff to give the complex the desired cosmopolitan feel. MID demands no fees for advertising for the complex, and rent-in-advance, which can be a debilitating 10 months or much more in Japan, has been waived.

Japanese *owners of imported* wares stores in the complex must pay the usual fees, and while MID boasts of the "60 stores from 13 countries," the company was disappointed that some foreign companies approached did not take up the offer.

Matsushita uses its import network to get around the problems posed by Japan's labyrinthine distribution system, which US trade negotiators have also cited as a "structural impediment."

The Japanese company buys the stock from foreign suppliers before it leaves the country of origin, and then resells the stock to them in Japan.

Apart from making use of the Matsushita network, the system ensures that the imports show up on the company accounts as Matsushita imports, even though the goods may be Australian wet-suits or hand-made Italian wallets that the company itself has no intention of using.

Large Japanese export-oriented companies are under great pressure from the US to prove that they are increasing their use of foreign products, so Matsushita will be able to show that its purchases of foreign goods rose sharply in 1990. The company has plans for at least five more similar complexes, ensuring that the *import flow will continue to* rise even after the IMP stock flow stabilises.

Foreign owners were chosen by Matsushita through a combination of research and chance. Engel-Hof, a branch of a Hamburg-based kitchen and tableware store is run by Mrs *Hiroko Engel, who claimed* that about 95 per cent of Japanese who come to Hamburg visit her shop, where it is called Hiroko – the name in Osaka has more of the desired German feel.

An Australian leisurewear store, Life Savers, is run by a couple *who manage a* Queensland travel bag store popular among Japanese tourists. The store manager met a Matsushita executive at a cocktail party, was informally invited to open a store in the Osaka complex, and chose to sell casual Australian-made clothes.

Mr Jon Blake, chairman of Naturally British, the first branch of a Covent Garden hand-made products store, says Matsushita approached him about two years ago and agreed to make the investment necessary for the branch's opening.

On opening day, there was a 15-metre queue waiting to get *into the store, with browsers* and buyers surveying stock that Mr Blake says was selected with Japanese taste in mind.

The stock mix will be further refined when buying patterns become more obvious.

A mahogany sofa table with military *style* fittings and topped by a reproduction of a scene from London at the turn into the 18th century was sold for Y142,500, about Y14,500 more than the list price in London.

"We provide the image and the stock," Mr Blake says. "From my experience, Matsushita has not only offered financial assistance but has offered a great many human resources. They have done a great job preparing the shop. It feels very British."

Much of the organisation was done by Mr Kimiaki Murata, a director of MID. He says he was disappointed that "seven or eight" other British *companies pulled out of the* project in the final stages.

"They were so close to signing. I wish they could see the project now. Although we had support from Italian companies, many European companies are quite conservative compared to US companies," Mr Murata says.

The import marketplace, Osaka (above). Public toilets (below) in the 60-store complex have been based on famous lavatories in Sweden, Spain, the US and West Germany

Della Bradshaw looks at spiralling commercial property prices

Osaka's mushrooming skyline

LOOKING NORTH from the observation points at the top of Osaka castle, there is one distinct difference between the real scene and the photographic display designed to inform visitors about the local landmarks.

The colour photograph shows only Matsushita's twin skyscrapers in the new business park. But next to them in the real scene two further skyscrapers, occupied by NEC and Fujitsu, have sprung up. Looming behind them another monster construction is begining to take shape.

The rapid growth in the number of office buildings springing up in Osaka is just one reason behind the exorbitant prices now being asked for commercial buildings and housing in the region. The *rocketing sums are taking* their toll on almost every business and household in Kansai.

If you buy prime commercial office space in Osaka these days – in, say, Osaka's Mido Suji Boulevard – it could cost up to Y30m (£125,000) per square metre. A quick calculation shows it would cost about £13,900 to house the proverbial waste-paper bin.

And although commercial property prices are still only 62 per cent of the cost for similar accommodation in Tokyo's infamously expensive business areas, Osaka and Kyoto are rapidly closing the price gap.

The only good news for those trying to get into the market – if it can be called good news – is the consensus that the price of accommodation in Kansai, both commercial and residential, will not hit the *dizzy* heights for which the Tokyo *area is renowned. According to* local myth the cash needed to buy Tokyo's central Chiyoda ward – the equivalent of, say, buying the Westminster district of London – could also fund the purchase of the whole of Canada.

Land speculation is largely blamed for the land price increases in Kansai, says Mr Takuji Yamashita, branch manager of Mitsubishi Estate in Osaka, and in particular the ripple effect caused now that speculators are moving away from Tokyo where prices have peaked and it is difficult to earn a fast buck.

Such speculation began in Tokyo in 1986, when the city became a focus for financial trading. That, combined with low interest rates, led to rocketing prices there.

As well as the speculators, there are the companies which are eager to find cheaper office space than that in the capital, and many – such as NEC and

Land price rises

Fujitsu – are looking to Osaka with its heavily publicised new image as the solution. In particular, land in the city centre and around the new international airport being built south of the city is much in demand, reports Mr Yamashita.

The situation in the Kansai capital is different from that in Tokyo because the provincial city grew up as the centre for a clutch of small merchants, each owning their own piece of land. In Tokyo, by comparison, one company can own vast tracts of land in the city – Mitsubishi, for example, owns large chunks of Maranouchi, the city's main commercial centre.

As a result, it is not just the traditional property companies, such as Mitsui or Mitsubishi, that are reaping the benefits of building in Kansai. Everyone – from insurance companies to the railways – is getting into property development. Recently for example, the Nankai Electric Railway Company hit the headlines by selling its baseball team, the Nankai Hawks, in order to free the stadium area for redevelopment. (The team will will be relocated to Fukuoka in Kyushu, where land prices have not reached the same giddy heights.)

The statistics on property prices *tell* the tale. Between April 1988 and March 1989 prices of commercial property increased in Osaka by 35.6 per cent. In Japan as a whole the increase was just 10.3 per cent and in Tokyo 3 per cent. The figures for the year ending last July emphasise the point even *more, with Osaka commercial* property prices leaping 56.4 per cent, compared to 1.9 per cent in Tokyo and a national average of 7.5 per cent.

Mr Yamashita believes the recent interest rate hikes in Japan will curb land speculation, and he hopes 1990 will be the year *when the rapid price* rises slow down. "I feel 1990 might prove the turning point, but I'm not really confident," he admits.

But while many companies are smugly rejoicing in the fact that their investment or speculation has paid off, the fall-out is rippling through into the domestic housing market.

First-time home-buyers are learning the hard lesson already familiar to their Tokyo peers: to be able to buy a home they will have to move out of the urban areas and into the wilds of the countryside. In the year ending July 1989 house prices rose 37.3 per cent in Osaka, making the cost of buying a house there 73 per cent of the cost of buying one in Tokyo.

More worrying for the region is that from November 1989, for the first time since 1945, the number of people living in Osaka prefecture has dropped, according to figures released by the Osaka prefecture government. The drop is increasing month by month as people move into neighbouring prefectures, such as Kyoto or Nara, in order to find affordable accommodation.

In spite of the difficulties, Mr Yamashita believes the two generation mortgages often talked about when Japan's legendary house prices are discussed are extremely rare. But he acknowledges that there are cases where families commit the parents and then their children after them to pay the mortgage.

More common, he believes, is the standard 25-year mortgage. And he argues that it is still feasible for families where the head is 35-36 years old, with an annual income of Y5-6m (£20-24,500), to afford a condominium within an hour's travelling time of Osaka. Ten years later, when his salary has increased to Y7-8m, he can afford to move upmarket and buy a house, Mr Yamashita says.

However, in February for the *first the* average price of a new condominium in the Kansai area topped Y50m.

The burghers of Kansai are now preoccupied about how to deal with the situation. Mr Hiroyuki Gohda, general manager of the planning department at the Centre for Industrial *Renovation of Kansai*, believes that legislation to free up unused land and to increase the height of buildings could be the answer. However, blocks of condominiums up to 36 storeys high are already under construction in the Osaka area, and short of reclaiming yet more land in the Osaka bay area, it is difficult to see where more housing can be built.

The other solution, suggests Mr Gohda, is to admit defeat and to improve transport links so as to ensure that commuters living a long way from the centre of Osaka can get to work more quickly.

Della Bradshaw discovers how to get around

It's still quicker by train

IN OSAKA if you have plenty of time, and yen, you take a taxi. If you want to get somewhere quickly you go by train.

The trains and subway systems serving the city are characterised by their frequency and low fares. That, say the local railway companies, is due to the early dominance of private railways in the area.

But since the privatisation of Japan Railways (JR) in 1987, the private companies have become increasingly worried that their core businesses – their railway services – are being eroded by the local JR company, JR West.

Commuters, too, have noted the difference, with aggressive marketing and cheery faces from eager JR employees now the order of the day. JR West has even introduced a complaints and information office in many of its major stations, symbolised by a large pink elephant. The big ears of the elephant, says JR West, represent the company's eagerness to listen to the 1.566bn customers who use its network every year.

It has also kept its new shareholders happy with impressive profit returns. In its second year as a private company, ending March 31 1989, JR West more than doubled its net profit from the previous year, to Y4.7bn (£19.6m). This year the company will also turn in respectable profits, says Mr Takayuki Sasaki, director of management in the administration department of JR West, although he ruefully points out that profits are unlikely to double again.

Although almost half of JR West's income comes from running *shinkansen*, or bullet train, services between Kansai and points further west on Honshu Island, it is on local services that the company is focusing its efforts, says Mr Sasaki.

The use of the *shinkansen*, he says, rises and falls depending on the economic situation in Japan. But even if company employees stop using the fast train services for business, there will always be commuters who need to get to work in Osaka, Kobe and Kyoto.

One factor contributing to JR West's profit increase this year will be the rocketing land prices in the Kansai area. Because the tentacles of the JR West network reach further afield than those of its competitors, commuters moving away from the urban centres to find cheaper housing are using JR West services.

Faced with this increased local competition, Kansai's five private railway companies – Hankyu, Hanshin, Keihan, Kintetsu (Kinki Nippon Railway) and Nankai – are screaming unfair tactics. They point to discrepancies in tariff setting, left over from JR's days as a publicly-owned company, which gives the privatised company flexibility in offering bargain tickets. Although JR is more expensive on basic fares, it is allowed to cut its prices on tickets for off-peak travel.

As all new fare structures or price rises have to be approved by the Transport Ministry, the five private companies have to wait before they can change their prices.

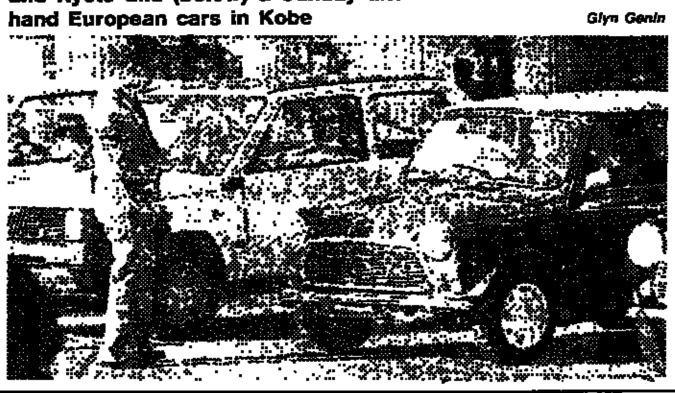
Some deals have already been struck, though. Kintetsu, for example, has introduced a discount system for regular passengers who buy tickets in bulk, for five or 11 journeys. It has also introduced a ticket which allows passengers to travel on as many trains as they like for a three-day period.

And, points out JR West, any unfair advantage it may have had in the past is now over. In the future it will have to apply for price changes in exactly the same way as its private railway counterparts.

Mr Masanori Matsuoka, manager of the planning and project co-ordination department at the Kintetsu Corporation, believes that the private companies have to compete with JR on price and service because they cannot compete on speed.

JR West has faster trains and straighter track, a legacy of the days of huge public investment and the company's secondary role as a military transport system. So a journey from Osaka to Kobe, for example, a distance of 33 kilometres, takes 20 minutes by JR, but 27 or 28 minutes using the private companies.

Nor can the private companies compete on technology. The seven privatised JR companies share a research and development laboratory which is working on the latest *shinkansen* models as well as linear motor devices, which use super-conducting magnets to propel the trains.



A conductor on the shinkansen (bullet train) between Osaka and Kyoto and (below) a Sunday afternoon market in second-hand European cars in Kobe *Glyn Genin*

The increased competition is likely to force the private railway companies to diversify even more widely than they do already. Department stores, housing and commercial property are the main interests of the five companies, although between them they also own long-distance and local bus service, cargo services, travel agencies, supermarkets and car sales outlets.

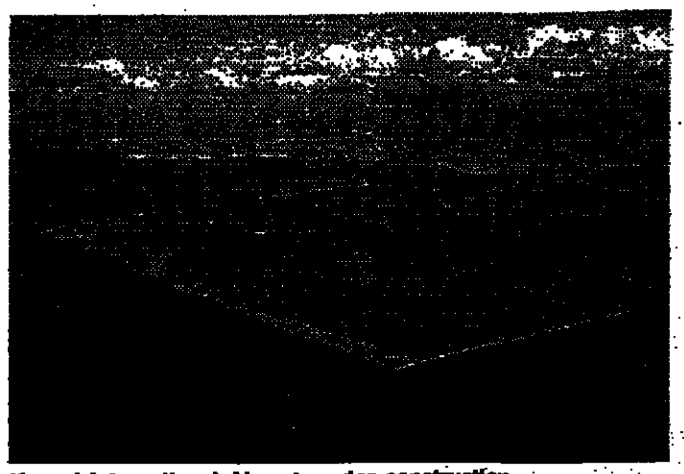
Kintetsu, for example, which is the oldest private railway company in Japan, even has two hotels in San Francisco. Less than 10 per cent of Kintetsu's Y2,463bn (about £10bn) turnover came from its railway business last year.

In particular, the five private companies are looking to the huge catalogue of building projects – the "big projects" as the Japanese call them – that are now taking place in the Osaka region as a spur to further growth, both in the railway business and other activities, such as housing.

The Nankai Electric Railway Company, for example, is looking to the new international airport to provide more passengers on its two lines, which run to the south of Osaka city along the bay. Together, the two lines carry 800,000 passengers a day to and from the city. When the airport opens, the company is predicting that an extra 55,000 passengers will use the lines.

Hanshin Electric Railway, which runs services between Osaka and Kobe, to the west, is hoping its passenger figures will be boosted by a different kind of event. Employees there are keeping their fingers crossed that the promising start made this season by the company's baseball team, the Hanshin Tigers, will bear fruit later in the year.

When the team last won the Japan League in 1985, the Hanshin line carried 2m fans to the baseball ground during the season. Since then, the team has turned in less spectacular performances and traffic has dropped to only 1.2m passengers.



Kansai International Airport, under construction

THE REGION'S AIRPORTS

Kobe matches Osaka in pride

THE TRAFFIC in airports in the Kansai region has become congested. There is the Kansai International Airport, under construction on a specially-built island, the existing Osaka airport, once due to be closed but now likely to remain open, and a Kobe offshore airport, plus a collection of smaller facilities in more rural areas.

Each prefecture's grand plans are a symbol of parochial pride and of the difficulty of achieving complete co-operation for the sake of the "Kansai." Each likes the idea of sharing airport facilities, but fears that the more distant the international airport, the more their areas will lag behind in development.

In principle, all of Kansai is united behind the Y1,000bn Kansai airport, which has received central approval for one runway on a man-made island 5km into Osaka Bay, but is still to get Tokyo's approval and money for a grander, second stage with three runways.

Tokyo has generally argued that the first stage should be completed before further money is granted, while Kansai companies and governments have formed the Association for the Realisation of the Early Completion of the Kansai International Airport Overall Plan to argue that the second stage should be approved and funded immediately.

Mr Shoni Nagamori, head of the Osaka branch of the Liberal Democratic Party office, said that the complete project must be approved in the interests of stimulating the "whole economy." Local party officials are lobbying LDP leaders in Tokyo in the hope of winning approval by the end of summer.

While Kobe City and its prefecture, Hyogo, support the Early Completion committee, they also realise that if Kansai airport gets its money, then the dreamed-of Kobe airport, also to be built in Osaka Bay, is unlikely to proceed during this decade.

Kobe was offered an airport in the early 1970s, when the Transport Ministry was mapping out a strategy for long-term development, but the city's then mayor was opposed to the plan, which was announced at a time of rising environmental concern among residents in the region. The mayor based a campaign on his opposition to the airport, and won his election, though he alienated the Transport Ministry.

A few years later, the same mayor decided that an airport was necessary for Kobe to maintain its "port city" image, and the environmental crisis, marked by appalling air pollution, had eased. He began pressing the Transport Ministry, which initially ignored him, and, according to local officials, still bears a grudge against Kobe for the earlier rebuff.

Mr Kiyoyuki Kanemitsu, chief of Kobe's international department, says that the city supports the Kansai project because the airport will be only 30km across the bay and will be closer to Kobe than to central Osaka. He hopes that Kobe's reputation as a cosmopolitan city will encourage international visitors to the region to stay in its hotels.

Kobe wants an airport to maintain its international status, Mr Kanemitsu says, though he insists that the two airports "are not in competition," and that the Kansai backers in Osaka also support the Kobe plan.

"If you look at this region of 20m people and compare it to places like New York and London, where there are more than one airport, we don't think it is excessive to have a Kobe airport," he says.

Privately, Osaka officials cannot understand why Kobe is pushing for its own airport when negotiations for the Kansai plan are at such a delicate stage. And some Kobe officials do not understand why Osaka is not content with one runway, opening the way for a facility in Kobe.

Mr Toshiyuki Otaki, director-general of the Hyogo prefectural planning department, says that the Kansai region can be compared with Italy, while Hyogo prefecture itself is "like a smaller European country." He says that the area's importance as a sea-port has been declining, and that a new airport will maintain the city's cosmopolitan environment.

Even if the Kansai project is completed according to the grand design, the Hyogo Government still has big plans. Mr Otaki says that the prefecture wants to build a tunnel from the airport island to Hyogo. "The English Channel tunnel is much longer than our tunnel, which would be about 21km. The cost would not be too great and it would be the best way to move people from the airport."

Kansai airport is scheduled to be completed in three years, but the likelihood of cost and time overruns has increased with unexpected sinkage during the land-fill.

Also, the developers, the Kansai International Airport Company (KIAC) have still to persuade residents living on the site of transport links to move house. The company is haunted by fears that the project could become as problem-ridden as Narita, Tokyo's international airport.

On the assumption that the airport will be as successful as planned, Y2,850bn has been set aside for related property and infrastructure investments for the mainland area adjacent to the airport. Of the initial Y1,000bn cost of the airport itself, Y560bn is for the reclamation of the island and for a bridge linking it to the mainland.

Mr Nobuyuki Higuchi, manager of the international affairs division of KIAC, admits that the unexpected sinkage has slowed reclamation work, but the company still expects the airport to open on time. He argues that the ambitious nature of the project has made such problems inevitable.

"It is the first time we have built anything like this so far off the coast. The weight of the sand we have dumped is tremendous. We should be able to begin construction of the airport facilities in early December," he says.

The project has been a trade issue with the US, as Washington was angered that the bridge and land-fill contracts were awarded solely to Japanese companies. KIAC is now careful to emphasise that future contracts will be awarded through international bidding.

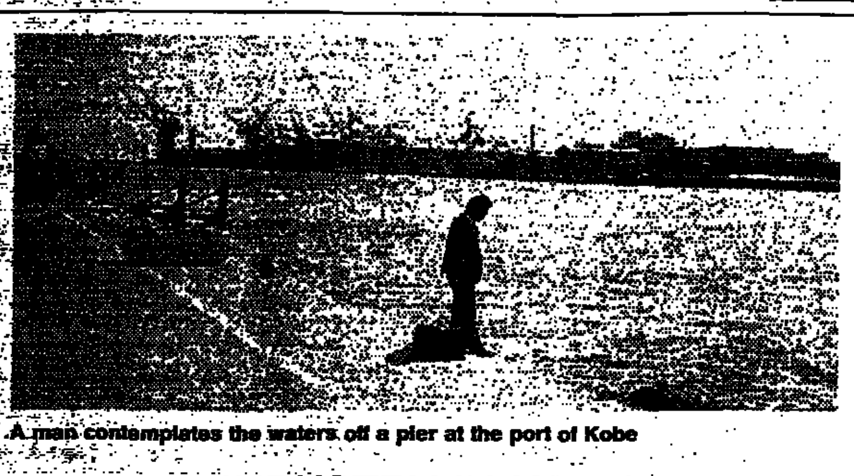
"It takes more time for us to contract things this way, but we promised we would do it and we will keep our promise," Mr Higuchi says.

He explains that the fate of the multiple runway plans should be clearer at the end of summer, when the first draft of national five-year plan for airport development will be prepared. The plan will also consider the future of the present Osaka international airport, which KIAC had expected would close when the new airport opens. Now it, too, is likely to remain open.

Residents around the existing airport, who had previously wanted it closed, are now apparently in favour of its retention for the sake of the area's commercial health. At present, Osaka airport handles 120,000 take-offs and landings, while the new airport, described by its supporters as "the airport of the 21st century," is to have a capacity of 160,000 movements.

The prospect of sharing flights between the two airports is a disappointment for KIAC, which had planned to use the new facility as the transport hub of the region, linking international passengers to the domestic air network.

Robert Thomson



A man contemplates the waters off a pier at the port of Kobe

INDUSTRY IN KOBE

Varied lifestyle of Fashion Town

WHEN HEAVY industry in the Kobe district was showing signs of advanced age, the local government leaders began planning to develop a new industry that would enhance the area's image. They chose fashion.

Ten years ago, the city held a successful fashion exposition, Portopia (Port from the area's traditional fame as a port and the "opia" from Utopia) which has spawned many Expo imitators in Japan. The fair also inaugurated a designer-made island intended to be a fashion centre and a model of 21st century living.

Fashion Town, as the heart of Port Island is called, is surrounded by a framework of cranes that support the country's largest container port, and is a link to Kobe's past as a cosmopolitan port city and foreign enclave in 19th century Japan.

Mr Kiyoyuki Kanemitsu, Kobe's director of international affairs, says that the area had the country's first jazz band and, significantly, the first golf course, and was a meeting place for "eastern and western culture." Kobe's cosmopolitan image is maintained by a national bakery chain called Kobe Belle and a collection of restaurants claiming Kobe connections.

"It has always been a city willing to accept new ideas. With the changes in the economy, we decided to place an emphasis on fashion because we wanted to produce more value-added products. We thought fashion was one of our strengths," Mr Kanemitsu says.

The city proclaimed itself to be a centre of fashion in 1973, and then set about building a reputation, as well as Port Island. After the war, dozens of small trading houses dealt illegally in scarce materials, setting up temporary shop to meet local demand, and taking advantage of the flow of textiles through the port.

City officials explain that the industry on the island is defined as lifestyle-related companies

Thirty-eight companies have settled in fashion town, although some fall very loosely into the category – the list includes 18 apparel-makers' offices, and the remainder ranges from confectionery manufacturers to dealers in pearls. City officials explain that the fashion industry is defined as lifestyle-related companies.

Kobe has fulfilled the proclamation made 17 years ago, but Port Island, while embodying some "21st century city" architecture, remains a worry for city officials and for the companies based on the island. The fashion companies have tailor-made buildings to suit their image, and have created a sense of space lacking in Osaka and Tokyo, but company executives admit that the island lacks atmosphere.

The still unreached ideal is articulated in the lofty/pretentious motto: "Kobe Fashion Town is a creative and sensuous town with basic themes of beauty, love and dream." Having recognised that planned sensuality and dreaminess is more difficult than adding cement to a blueprint, the companies are now attempting to embrace the abstract.

Mr Yujiro Tanaka, secretary of the Fashion Town Association, says that 32 of the planned 38 corporate buildings are finished, with the first opened in 1981. Accommodation for 20,000 residents – in buildings less interesting than the corporate headquarters – has been completed, as have conference facilities intended to make the island a symposium centre.

Mr Tanaka says the association's aim now most of the construction work is done, is to concentrate on the "spiritual development" of the area. "We want there to be more colour and smell."

The association also wants almost to double the size of the 436-hectare island, while construction work is continuing on nearby Rokko Island, which has another 580 hectares and will be partly devoted to fashion retailers, as well as a providing extra container-ship and tramper berths and a ferry base.

Mr Tanaka says that, unlike in most Japanese cities, the emphasis in Fashion Town is on preserving space for spontaneous public use. The ground floor of each commercial building is supposed to be an "open space" for the public to walk through, browse in, and generally feel a part of.

Few Japanese have chosen to accept this informal invitation to wander at leisure, as most are accustomed to more formal introductions and are uncomfortable with such an abstract welcome. While access to sports facilities is a problem in most parts of Japan, even the sports equipment and space provided by some companies for public use are under-used.

Mr Shoji Kitami, managing director of corporate relations at Asics, a clothing and sporting goods company, says that the city is "unique" and "modern," but "we have been holding meetings to discuss how to make it more lively, otherwise young people may not want to come here." Neon signs have been suggested as a means of brightening buildings, he says, but "they are prohibited on this island."

A carp competition, rather like a dog show, was held in Fashion Town

On a recent Saturday afternoon, a vast plaza in the centre of Fashion Town was the site of a carp competition, with small, blue swimming pools erected from one end to the other, and local people invited to bring their carp along for judging. At peak hour in the middle of a sunny afternoon, the contest had drawn few spectators, a take-away food stall was quiet and the intangible "atmosphere" was missing.

The fashion business is livelier. Asics, Japan's largest maker of sports shoes, has just signed an agreement with L A Gear to market and distribute the US company's products in Japan. Mr Kitami explains that, though his company has been highly regarded for its technical achievements in sports clothing, it has failed to keep pace with changing fashions.

Mr Masaaki Imakita, information director of World Co, says his company has managed to keep its production quality higher than foreign competitors in a Japanese consumer market that demands quality. "There are two sides to quality, the technical side and the fabric side. The challenge is to maintain the quality of your technique while maintaining a sensitivity for fashion."

He says that the company has managed to "stay ahead of the newly-industrialised economies in quality," and while European producers offer competition in quality and image, they are a lesser worry than other large Japanese apparel makers. Companies in Fashion Town have had problems in the past three years with erratic supplies of raw materials from China, whose cotton, silk and cashmere export companies have flooded and then starved world markets.

"The Chinese market is very volatile. Prices have increased sharply, and we have to be careful. In the Japanese apparel market, prices have probably reached their upper limit. We produce a Y100,000 sweater but it does not sell very well," Mr Imakita admits.

'The challenge is to maintain the quality of your technique while maintaining a sensitivity for fashion'

Broadening the definition of "fashion" to include non-apparel companies has allowed Kobe to cultivate wider development ambitions. The word now roughly means "lifestyle," and virtually any industry with a tenuous connection to the concept is encouraged to do business in Kobe, though new buildings cannot be constructed on the island.

Mr Kanemitsu concedes that other cities are trying to build images as fashion centres, including the not-too-distant Nagoya, which held a design exhibition last year and is trying to overhaul a reputation as a sturdy if dull industrial centre. Part of the urgency in image changes is a labour shortage and the bright lights of Tokyo, which lure away young talent.

"Sometimes image means a lot. Many people had thought of Kobe as a cosmopolitan city, and we decided to base our plans for the city on that. It is a very strong sales point for Kobe," he says.

Robert Thomson

JAPAN'S PHARMACEUTICAL INDUSTRY

The drugs heartland

KANSAI, the commercial heartland of Japan, claims to be the home of developments as diverse as the foam-filled fire extinguisher and the Pot Noodle. But it has also nurtured some of Japan's core industries – consumer electronics, paint and, in particular, pharmaceuticals.

While the world pharmaceutical industry serves a truly global marketplace, many of Japan's major manufacturers are not only concentrated in one city, Osaka, but one street, Dosho-machi Street, in the city's commercial heart.

As a result employees at Fujisawa, Shionogi, Takeda Chemical Industries and Tanabe Seiyaku could, if they wished, watch each other's comings and goings simply by peering down and out of their office windows.

The reason for this concentration, it is said, is the autocratic rulings of the Tokugawa shogun Hideyoshi Toyotomi in the 16th century.

He divided up the city into commercial enclaves, with different sectors for such trades as textiles, manufacturing and Chinese medicines. These distributors of herbs and rhino horn were the predecessors of today's pharmaceutical industry.

In the early days of orthodox medicines Japanese companies relied on importing Western products rather than making their own. Shionogi, for example, began by importing gelatine capsules from Eli Lilly of the US in 1909.

Even today, Japanese pharmaceutical companies import between 7 and 8 per cent of the drugs used in Japan, while exporting only 3 to 4 per cent, according to figures from the Japan Pharmaceutical Manufacturers' Association. The highest export rate is claimed by Tanabe Seiyaku, which sells 16.8 per cent of its wares overseas. Shionogi, on the other hand, one of the big three producers, exports less than 1 per cent.

The established Japanese pharmaceuticals industry is now coming under increasing pressure to export its wares to balance the increased competition from overseas manufacturers on its home ground. Government legislation to hold down prices and so cut company margins, combined with the changing demands in the Japanese drug marketplace, is posing extra pressures.

The Japanese market is a particularly attractive one to European and American pharmaceuticals suppliers, many of which have already established sales outlets in Japan. It is the world's second largest market after the US, accounting for 14.4 per cent of the total world market of $100bn (£63bn) in 1987.

In the past the type of drug most in demand was antibiotics, but that is changing. In Japan, even more so than other industrialised countries, there is a rapidly growing number of older people. The latest data shows that 11.9 per cent of the total population is over 65 years old. As a result, demand is increasing for drugs to combat high blood pressure and heart disease, as well as mental disorders such as senile dementia.

Overseas companies planning to compete with their Japanese brethren will find themselves faced with the same government restrictions as their oriental colleagues. In particular, they will be subject to the incredibly complex series of price restrictions imposed by the Japanese Health Ministry.

From this month the ministry has decided to cut the official price of ethical drugs (those drugs which are prescribed, not sold over the counter) by an average of 9.2 per cent. Some medicines will face even larger cuts.

The rate has been decided on the basis of the discount rate that pharmaceutical distributors give to hospitals, clinics and doctors when they sell them the drugs. Because the doctors charge the insurance companies the official fixed rate for any drug they prescribe, they can pocket the difference between that official rate and the discounted rate they have paid.

Although it is the distributors that carry out the discounting, it is the pharmaceutical manufacturers that will bear the brunt of the price cuts, and they are worried that their profits will suffer as a result.

Mr Toshiaki Shigeuchi, associate manager of the planning department at Tanabe Seiyaku, points out that the price cutting will badly affect the research and development budget as well.

"To obtain a new compound we need to spend Y10bn (£42m) over 10 years," he says. "We need to increase R and D spending every year, and this year we think it will be Y1bn higher than previously. But to bear the price cuts and increase R and D spending we will have to try and cut indirect costs."

One solution that the pharmaceutical companies will be looking at is the introduction of new drugs which are derivatives of their existing product lines. Because the new drugs can be introduced at a high fixed price, the manufacturers will be able to maintain their profit margins.

Although companies such as Tanabe are conscious that they need to export, in order to cover their high research and development costs, they are still focusing most of their efforts on the home market. "The Japanese market is very important, because it is so large," says Mr Shigeuchi. "So we are concentrating our efforts here."

One of the few companies to have developed a product specifically for the international market is Fujisawa. It has developed an immuno-suppressive drug, FK-506, which helps prevent patients who have had organ transplants from rejecting the foreign tissue. The company believes the drug could also be used in the treatment of AIDS.

FK-506 has been greeted with particular interest in the US, where clinical studies will begin this autumn. But in Japan, where transplant operations are very rarely performed because of religious and cultural barriers, there is no immediate market for the product.

Fujisawa is pinning its hopes on the drug's international potential because once a patient has received an organ, he or she now has to take immuno-suppressors for the rest of his or her life in order to prevent rejection. In 1988, 27,500 organ transplants took place worldwide, according to Fujisawa, and the figure, they point out cheerfully, is growing every year.

Della Bradshaw

Idiosyncrasies of a region's inhabitants

A ketchup commotion

WHEN KANSAI people do business in-house with Kansai compatriots, they use an earthy regional dialect, a sometimes blunt, sometimes musical variation of Japanese that "outsiders" from Tokyo have difficulty in understanding.

Kansai people are proud of their idiosyncrasies, although the historical differences encouraged by isolation have been smoothed out by modern communications. A *shinkansen*, the "bullet train," does the Tokyo-Osaka run in three hours, and the national broadcaster, NHK, has standardised the Japanese language and popularised Kansai slang.

Differences remain. When Kagome, the country's market leader in ketchup, replaced its standard soft plastic container with a hard plastic bottle just over a year ago, the outcry from Osaka forced the reintroduction of the old-style soft version.

Mr Hidenori Nishi, Kagome's corporate planning manager and an Osakan, explains that Kansai people cannot bear to waste food, and used to cut open the plastic containers to scoop out the last drips of ketchup. But, he adds ruefully, they have found the new hard plastic difficult to penetrate.

"I was born in Osaka, and maybe you can say that people from my home town are money-conscious. Osaka people believe that to dispose of food without having used it all is wrong. We are not able to throw away unused ketchup."

Kagome's experience fits in with the Tokyo image of Kansai people. On hearing the Kansai dialect, a Tokyo officer worker says, "I think of money and small shops and merchants." But Japanese are generally agreed that people in Nagoya, the industrial centre between Tokyo and Osaka, are the most thrifty.

Mr Kenichi Ohmae, chairman of McKinsey in Japan, suggests that Tokyo's economic surge has been partly fuelled by a consumer spending boom which Kansai could not match because its residents are less reckless with money.

"People in Kansai are very pragmatic. In Tokyo, people may spend Y200,000 for a suit, but Osaka people can't see much point in spending more than Y40,000. They have remained very pragmatic consumers. This is one reason why the economy is behind Tokyo, where the waste spending is enormous," Mr Ohmae says.

Kansai officials have been pleased that since April last year, the increase in retail store sales in Osaka has exceeded that in Tokyo. In the recent past, the Tokyo increase has been 2 to 3 per cent higher, and so there is a sense among people such as Mr Kazuaki Harada, managing director of Sanwa Bank, that Kansai could be on the crest of a uncharacteristic wave of consumption.

"Traditionally, Osaka people spend more money on food than on clothes. Tokyo people don't hold on to money for very long, they like to spend it quickly," Mr Harada says.

Companies in the Kansai have a reputation of restricting borrowings to needed capital expansion, and the region has a higher share of national bank deposits, 30.6 per cent, than either its share of GNP, 20 per cent, or its share of manufactured goods transported, 18.9 per cent.

Regional banks have an important role in Kansai and maintaining the sense of local support for local industry, even though the larger Osaka-based banks, such as Sanwa, Daiwa and Sumitomo, are classified as "city banks," and have national and international roles.

The Kobe-based Taiyo Kobe Bank, the eighth-ranked in Japan, has just merged with the Tokyo-based Mitsui Bank, the seventh-ranked, to form the Mitsui Taiyo Kobe Bank, which, in the Japanese language, is known as the Taiyo Kobe Mitsui Bank for the sake of egos at the Kobe bank.

Regionally-based city banks have strategic holdings in the region's bigger companies. For, example Sumitomo Bank has 4.4 per cent of Matsushita Electric Industrial, Sumitomo Life Insurance has 4.2 per cent and Sumitomo Trust has 2.9 per cent, even though NEC, a Matsushita rival, is a member of the Sumitomo family of companies or *keiretsu*.

Sanyo Electric, also has a Sumitomo connection. Sumitomo Life Insurance has a 5.1 per cent share holding, Sumitomo Bank has 3.7 per cent and Sumitomo Trust has 3.1 per cent. The holdings work both ways. The Kyoto-based Kyocera, the IC package maker, has 2.4 per cent stake in the Bank of Kyoto, and the Bank of Kyoto has a 4.5 per cent stake in Kyocera.

Kansai companies also have a reputation for putting more emphasis on profits than on market share, although the latter has become a trademark of Japanese companies' activities in foreign markets. And companies in Kansai are said to put more emphasis on personal contact with customers, both at the retail and wholesale level.

The sometimes awkward relationship between the central government and Kansai companies and the need to be close to decisions affecting industry have prompted companies to shift their headquarters to Tokyo.

Executives and officials in Kansai complain that the bureaucracy in Tokyo can be unsympathetic to the aspirations of the region, while the bureaucrats suggest that Kansai companies have a record of ignoring "administrative guidance." For example, in the early 1970s, textile companies in the region, annoyed at Tokyo's lack of consultation, did not observe a voluntary quota on exports to the US.

The influential university old-boy networks in Tokyo have a tendency to overlook the Kansai, as even students from the region develop a Tokyo orientation on entering university, and, after graduating, put more stress on the old-boy relationships than on the Kansai connection.

But Mr Harada, at Sanwa, says that Osaka people have a great pride of place. "Tokyo people are not necessarily from Tokyo. They have come from various parts of the country. Osaka people have been here for a long time."

Still, seeing a play in Tokyo has a certain snob value among Osaka people, Mr Kenichi Ohmae says, basically because people in the region have developed a sense of inferiority as "Tokyo has got bigger and bigger.

"Kansai people want what Tokyo has. Everything is becoming the same. Nothing is unique. Kansai should think of itself as a country," Mr Ohmae avers.

Robert Thomson

The "enthralling concept" of the Takarazuka troupe

Appeal of an all-girl show

Geishas in Kyoto promoting a new department store

IT IS an unusual experience to be in the middle of Kansai and to see a 1½-hour musical version of "Great Expectations" performed in Japanese. Charles Dickens purists may be even more disoriented to witness the hero and heroine, Pip and Estelle, united in a loving duet at the end of the performance.

But perhaps the most unusual aspect of the drama is that all the characters are played by women. And after a half-hour break, the same actresses reappear in glitzy showbiz costumes, with sequinned top hats and ostrich feather tails. They perform high-kicking routines reminiscent of black-and-white Hollywood movies of the 1930s and sing tunes smacking of the music hall.

The women in question are the Takarazuka Revue Company, a group of more than 350 highly-trained musicians and actresses who perform classical Japanese drama, Western musicals and "revue", a mixture of Western song and dance. The revue is a gorgeous spectacle of costume and scenery – the costumes for just one revue section can cost Y100m (nearly £500,000).

Behind all the glamour, the Takarazuka regime has an image of tough discipline and hard work. But despite this, and the growing dissatisfaction of Japanese women with their subservient social role, the Takarazuka actresses are still the idols of many a Japanese adolescent. Indeed, the 2,800-seat Grand Theatre at Takarazuka, the spa town after which the group was named, is packed full for every afternoon performance, mainly with teenage girls.

Although it accepts only 40 new recruits every year, the company has had over 700 girls apply for this April's entrance examination, says Mr Masao Hashimoto, former producer with the Takarazuka Revue Company. He believes the high number of applications from 15 to 18 year olds is because of the quality of the training given by the company, and also because it confers a certain social status on the girls.

Movie star salaries, he says, are no reason for joining the group. In fact, for many of the girls subsidies from their wealthy families are needed in order to make ends meet.

While Takarazuka no longer insists on all the girls living in company dormitories, or forbidding them to see men, as used to be the case, the entrance examination is enough to make any feminist fume. The girls have tests in singing, dancing and a face-to-face interview to see if they are pretty and have a good figure. The most important qualification is that they are unmarried, reports Mr Hashimoto.

Perhaps because of that, the main reason the girls leave the company is to marry, although some of the main stars have moved on to become TV or film stars in Japan. (One is now appearing in London in the musical Miss Saigon.)

One of the taboo subjects at the school is the ages of the performers. The girls join the troupe after training when they are between 17 and 20, to start at the bottom of the stardom ladder. By the time they get to the top they are probably in their late 20s or early 30s.

Once the girls are accepted for the Takarazuka Music School, they have two years' intensive training to look forward to before they are allowed to perform with one of the four theatre groups – there are the flower, moon, snow and star troupes. The training includes singing, dancing and classical and modern ballet lessons, as well as training in playing the *shamisen* and *koto*, two traditional Japanese musical instruments.

But the hard work does not stop once they graduate. Even then they have regular examinations to ensure standards are maintained.

Mr Hashimoto reports there are few problems in persuading half of the intake to play male roles. In fact, he says many girls apply to join the Takarazuka in order to do just that, while others are happy to act with women kitted out as men.

The decision to have an all-female troupe was an unusual one, particularly in Japan where all the classical Japanese theatre groups, such as Kabuki, are all male, with men playing female roles. However, the idea was essentially a 20th century commercial decision rather than a traditionally rooted cultural one.

The Takarazuka was founded in 1914 by Mr Ichizo Kobayashi, founder of the Hankyu Corporation. The company had built a railway line out from Osaka to Takarazuka, a spa resort noted for its springs. But the spa town proved not to be a sufficient attraction for the crowds of people Mr Kobayashi wanted to use the line. So he determined to build a funfair and zoo in Takarazuka, and then decided a chorus group might do the trick.

In Tokyo at that time the Mitsubishi group had a boys' chorus group in operation, so for the sake of ringing the changes Mr Kobayashi formed a girls' group.

Things blossomed from there, with the group, still owned by Hankyu, gaining an international reputation. In 1938 it went abroad for the first time, and in 1939 performed in Hollywood. Next year one of the four groups is hoping to perform in London.

The decision to continue to bar men from the troupe, says Mr Hashimoto, is because the audience continues to be enthralled by concept of an all-female team. Every time attempts have been made to break with the tradition, public outcry has caused the company to revert to the initial policy.

But the Japanese girl's search for the sweet and cute has now come up with a new source of amusement in Takarazuka. Recently the popularity of the theatre group has been eclipsed by a much rarer occurrence at the spa town. In the zoo the birth of twin cubs to a snow leopard has given the young women of Kansai something even more attractive to absorb their attention.

Della Bradshaw